NEW ISSUE—FULL BOOK-ENTRY

RATING: Moody's: "Aa3"
(See "MISCELLANEOUS – Rating")

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$5,791,397.45
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series E
(Bank Qualified)

Dated: Dated Date **Due: August 1, as shown on inside cover**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined shall have the meanings assigned thereto herein.

The Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series E (Bank Qualified) (the "Bonds"), were authorized at an election of the registered voters of the Merced Union High School District (the "District") held on November 4, 2008, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of $149,450,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Merced County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest on the Current Interest Bonds accrues from the date of initial delivery and issuance of the Bonds (the "Dated Date"), and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Capital Appreciation Bonds are dated the Dated Date and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) and will not pay interest on a current basis.

Payments of principal and Maturity Value of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the paying agent, bond registrar and transfer agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional redemption as provided herein. The Bonds are further subject to mandatory sinking fund redemption as provided herein.

MATURITY SCHEDULE
(see inside front cover)

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters are being passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about January 29, 2019.

STIFEL

Dated: January 15, 2019

MATURITY SCHEDULE

$5,791,397.45
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series E
(Bank Qualified)

Base CUSIP[1]: 587635

$2,350,000 Current Interest Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] Suffix
2020	$215,000	1.520%	1.520%	HG1
2021	150,000	1.530	1.530	HH9
2022	145,000	1.580	1.580	HJ5
2023	165,000	4.000	1.630	HK2
2024	195,000	4.000	1.720	HL0
2025	225,000	4.000	1.800	HM8
2026	255,000	4.000	1.930	HN6
2027	290,000	5.000	2.010	HP1
2028	330,000	5.000	2.130	HQ9
2029	380,000	5.000	2.270[2]	HR7

$115,000 - 3.250% Current Interest Term Bonds due August 1, 2036; Yield: 3.450%; CUSIP[1] Suffix: HW6

$3,140,000 - 4.000% Current Interest Term Bonds due August 1, 2045; Yield: 3.740%[2]; CUSIP[1] Suffix: HY2

$186,397.45 Capital Appreciation Serial Bonds

Maturity (August 1)	Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP[1] Suffix
2037	$23,981.50	4.010%	4.010%	$50,000	HZ9
2038	25,063.50	4.070	4.070	55,000	JA2
2039	28,166.45	4.120	4.120	65,000	JB0
2040	30,939.00	4.160	4.160	75,000	JC8
2041	33,501.90	4.180	4.180	85,000	JD6
2042	35,760.85	4.200	4.200	95,000	JE4
2043	8,984.25	4.220	4.220	25,000	JF1

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

[2] Yield to call at par on August 1, 2028.

MERCED UNION HIGH SCHOOL DISTRICT

District Administration

Alan Peterson, *Superintendent*
Scott Weimer, Ed.D., *Assistant Superintendent of Business and Student Services*
Sonia Garcia, *Director, Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Municipal Advisor

Keygent LLC
El Segundo, California

Paying Agent, Registrar, and Transfer Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

TABLE OF CONTENTS

Page

TABLE OF CONTENTS (cont'd)

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

$5,791,397.45
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series E
(Bank Qualified)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series E (Bank Qualified) (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement on January 8, 2019, the Board (as defined herein) accepted the 2017-18 audited financial statements of the District (as defined herein) on January 9, 2019. References herein to the Board's future approval of such audited financial statements have been removed. In addition, on January 10, 2019, the Governor of the State of California released his proposed State budget for fiscal year 2019-20. The information presented under "DISTRICT FINANCIAL MATTERS – State Budget Measures" herein has been updated accordingly.

The District

The Merced Union High School District (the "District"), located in California's San Joaquin Valley, serves the cities of Merced, Atwater, and Livingston and adjacent unincorporated areas of Merced County, California (the "County"). The District was established in 1915, encompasses approximately 625 square miles, and serves a population of approximately 177,142 residents. The District currently operates six comprehensive high schools for grades 9-12, one continuation school for grades 9-12, one community day school, one independent study school, and one adult school. For fiscal year 2018-19, the District has an assessed valuation of $14,255,244,630, and has projected an average daily attendance ("ADA") of 9,978 students.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected by trustee area to a four-year term. Elections for positions on the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Mr. Alan Peterson is currently the District's Superintendent.

See "MERCED UNION HIGH SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for information regarding the District generally and "TAX BASE FOR REPAYMENT OF BONDS" herein for information regarding the District's assessed valuation. The audited financial statements of the District for fiscal year ending June 30, 2018 are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" herein.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to certain provisions of the Government Code of the State of California and the Constitution of the State of California, and a resolution adopted by the Board on December 12, 2018 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein and in APPENDIX A attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds").

The Current Interest Bonds will bear periodic interest as further described herein. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) and will not bear interest on a current basis. The maturity value of each Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity thereof (the "Maturity Value"), comprising its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the Dated Date (defined herein) and its respective maturity date.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or Maturity Value, as applicable, or any integral multiple thereof (except for one odd denomination of Capital Appreciation Bonds, if necessary).

Redemption. Certain of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the "Dated Date"). Interest on the Current Interest Bonds accrues from the Dated Date, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2019. Principal of the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

The Capital Appreciation Bonds will accrete in value from their Denominational Amounts on the Dated Date to their respective Maturity Values, at the Accretion Rates (defined herein) per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) according to the amounts set forth in the Accreted Values table as shown in APPENDIX D hereto.

Payments of the principal and Accreted Value of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available in book-entry form for delivery through the facilities of DTC in New York, New York, on or about January 29, 2019.

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events in compliance with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"). These covenants have been made in order to assist the Underwriter (defined herein) in complying with the Rule. The specific nature of the information to be made available and of the notices of listed events required to be provided are summarized in APPENDIX C attached hereto.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

Bank Qualified

The District will designate the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California, is acting as municipal advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, has been appointed as Paying Agent for the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Merced Union High School District, 3430 "A" Street, Atwater, California 95301, telephone: (209) 384-6413. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”), Article XIIIA of the State Constitution and pursuant to the Resolution. The District received authorization at an election held on November 4, 2008 by more than fifty-five percent of the votes cast by eligible voters within the District to issue $149,450,000 aggregate principal amount of general obligation bonds (the “2008 Authorization”). On May 5, 2009, the District caused the issuance of its Election of 2008 General Obligation Bonds, Series A (Bank Qualified) in an aggregate principal amount of $24,999,943.90 (the “2008 Series A Bonds”). On March 3, 2011, the District concurrently caused the issuance of its Election of 2008 General Obligation Bonds, Series B (Tax Exempt), in the aggregate principal amount of $462,564.60 (the “2008 Series B Bonds”) and its Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds – Direct Payment to District) (Federally Taxable), in the aggregate principal amount of $25,000,000 (the “2008 Series B-1 Bonds”). On December 14, 2011, the District caused the issuance of its Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of $30,489,820.80 (the “2008 Series C Bonds”). On October 8, 2015, the District caused the issuance of its Election of 2008 General Obligation Bonds, Series D in the aggregate principal amount of $17,799,586.40 (the “2008 Series D Bonds”). The Bonds are the sixth issuance of bonds pursuant to the 2008 Authorization, and following the issuance thereof, $44,906,686.85 of the 2008 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal and Maturity Value of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which fund is required to be segregated and maintained by the County and which is designated for the payment of the principal and Maturity Value of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund and the Building Fund (defined herein), the Bonds are not a debt of the County.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal and Maturity Value of and interest on the Bonds as the same become due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal, Maturity Value, and interest to its DTC Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service due on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

Current Interest Bonds. Interest on the Current Interest Bonds accrues from the Dated Date, and is payable on each Bond Payment Date, commencing August 1, 2019. Interest on the Current Interest Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to and including such Bond Payment Date, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2019, in which event it will bear interest from the Dated Date. The Current Interest Bonds are issuable in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. Interest on each Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Dated Date to the date for which the Accreted Value is calculated. The value of a Capital Appreciation Bond as of any date (the "Accreted Value") is calculated by discounting, on a 30-day month, 360-day year basis, its Maturity Value on the basis of a constant rate (the "Accretion Rate") compounded semiannually on February 1 and August 1 of each year to the date for which an Accreted Value is calculated, and if the date for which the Accreted Value is calculated is between February 1 and August 1, by pro-rating such Accreted Values to the closest prior or subsequent February 1 and August 1.

The Capital Appreciation Bonds will not pay interest on a periodic basis. The Capital Appreciation Bonds accrete in value from their Dated Date at the Accretion Rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The Maturity Value of a Capital Appreciation Bond is equal to the Accreted Value thereof at its maturity date.

See also the maturity schedule on the inside cover page hereof, "—Annual Debt Service" herein, and "APPENDIX D – ACCRETED VALUES TABLE" attached hereto.

Payments. Payment of interest on any Current Interest Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and Accreted Value of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal and Accreted Value of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal and Accreted Value of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

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Annual Debt Service

The following table shows the annual debt service requirements of the District for the Bonds (assuming no optional redemptions).

	Current Interest Bonds		Capital Appreciation Bonds		
Year Ending August 1	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment(2)	Accreted Interest Payment(2)	Total Annual Debt Service
2019	--	$111,622.37	--	--	$111,622.37
2020	$215,000.00	220,791.50	--	--	435,791.50
2021	150,000.00	217,523.50	--	--	367,523.50
2022	145,000.00	215,228.50	--	--	360,228.50
2023	165,000.00	212,937.50	--	--	377,937.50
2024	195,000.00	206,337.50	--	--	401,337.50
2025	225,000.00	198,537.50	--	--	423,537.50
2026	255,000.00	189,537.50	--	--	444,537.50
2027	290,000.00	179,337.50	--	--	469,337.50
2028	330,000.00	164,837.50	--	--	494,837.50
2029	380,000.00	148,337.50	--	--	528,337.50
2030	--	129,337.50	--	--	129,337.50
2031	--	129,337.50	--	--	129,337.50
2032	10,000.00	129,337.50	--	--	139,337.50
2033	15,000.00	129,012.50	--	--	144,012.50
2034	20,000.00	128,525.00	--	--	148,525.00
2035	30,000.00	127,875.00	--	--	157,875.00
2036	40,000.00	126,900.00	--	--	166,900.00
2037	--	125,600.00	$23,981.50	$26,018.50	175,600.00
2038	--	125,600.00	25,063.50	29,936.50	180,600.00
2039	--	125,600.00	28,166.45	36,833.55	190,600.00
2040	--	125,600.00	30,939.00	44,061.00	200,600.00
2041	--	125,600.00	33,501.90	51,498.10	210,600.00
2042	--	125,600.00	35,760.85	59,239.15	220,600.00
2043	75,000.00	125,600.00	8,984.25	16,015.75	225,600.00
2044	115,000.00	122,600.00	--	--	237,600.00
2045	2,950,000.00	118,000.00	--	--	3,068,000.00
Total	$5,605,000.00	$4,085,153.37	$186,397.45	$263,602.55	$10,140,153.37

(1) Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2019.
(2) The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) on August 1 of the years indicated on the inside cover page hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing February 1, 2019.

See "MERCED UNION HIGH SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds. The net proceeds from the sale of the Bonds will be paid to the County to the credit of the "Merced Union High School District Election of 2008 General Obligation Bonds, Series E Building Fund" (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund and applied to the payment of the principal and Maturity Value of and interest on the Bonds.

Any premium received by the County from the sale of the Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Bonds when collected, are required to be held separate and apart in the fund created by the Resolution and designated as the "Merced Union High School District Election of 2008 General Obligation Bonds, Series E Debt Service Fund" (the "Debt Service Fund") for the Bonds and used only for payment of principal and Maturity Value of and interest on the Bonds. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Building Fund and Debt Service Fund will be invested through the County Investment Pool. See "APPENDIX F – MERCED COUNTY INVESTMENT POOL" herein.

Redemption

Optional Redemption. The Current Interest Bonds maturing on or before August 1, 2028 are not subject to redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on and after August 1, 2029 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2028 at a redemption price equal to the principal amount of the Current Interest Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2025 at a redemption price equal to the Accreted Value of such Capital Appreciation Bonds to be redeemed as of the date set for such redemption, without premium.

Mandatory Redemption. The Current Interest Bonds maturing on August 1, 2036 (the "2036 Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2032, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such 2036 Term Bonds to be so redeemed, the dates therefor, and the final payment date are as indicated in the following table:

Year Ending August 1	**Principal To Be Redeemed**
2032	$10,000
2033	15,000
2034	20,000
2035	30,000
2036[(1)]	40,000

(1) Maturity.

In the event that a portion of the 2036 Term Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of $5,000 principal amount, in respect of the portion of such 2036 Term Bonds optionally redeemed.

The Current Interest Bonds maturing on August 1, 2045 (the "2045 Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2043, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such 2045 Term Bonds to be so redeemed, the dates therefor, and the final payment date are as indicated in the following table:

Year Ending August 1	**Principal To Be Redeemed**
2043	$75,000
2044	115,000
2045[(1)]	2,950,000

(1) Maturity.

In the event that a portion of the 2045 Term Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of $5,000 principal amount, in respect of the portion of such 2045 Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District and, if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in the principal amount or Maturity Value of $5,000, as applicable, or any integral multiple thereof.

Redemption Notice. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, Accreted Value, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance" herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amount (which, with respect to any outstanding Current Interest Bonds, means the principal amount, and with respect to any outstanding Capital Appreciation Bond, means the Maturity Value) to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in "—Defeasance" herein, and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue or accrete and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—Defeasance" herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, Accreted Value, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the provisions of the Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, all as provided in the Resolution, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of principal and maturity value of, interest on, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such bond, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of

Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein and "APPENDIX A – FORM OF OPINION OF BOND COUNSEL" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which will at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described herein is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, and exchange of the Bonds.

The principal and Maturity Value of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount or Maturity Value thereof, as applicable) upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund (if any), is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal and Accreted Value thereof, interest thereon and redemption premiums, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, and moneys transferred from the Debt Service Fund (if any), in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and Accreted Value thereof, interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Service ("Moody's") at least as high as direct and general obligations of the United States of America.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are expected to be as follows:

Sources of Funds

Principal Amount of Bonds	$5,791,397.45
Net Original Issue Premium	405,763.15
Total Sources	$6,197,160.60

Uses of Funds

Building Fund	$5,684,397.45
Debt Service Fund	372,462.61
Underwriter's Discount	33,300.54
Costs of Issuance[1]	107,000.00
Total Uses	$6,197,160.60

(1) Represents certain costs of issuance to be paid from proceeds of the Bonds, including, but not limited to, municipal advisory and legal fees, printing costs, the costs and fees of the Paying Agent, and certain other costs of issuance of the Bonds. Rating agency fees in the amount of $16,000 will be paid from proceeds of the Bonds deposited into the Building Fund.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The principal and Maturity Value of and interest on the Bonds are payable solely from the proceeds of* ad valorem *property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district property taxes. Assessed valuations are the same for both the District and the County's taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Tax Collector of the County (the "Tax Collector"). After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Tax Levies, Collections and Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

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Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2018-19 of $14,255,244,630. The following table shows a history of assessed valuations in the District from fiscal years 2000-01 through 2018-19.

ASSESSED VALUATIONS
Fiscal Years 2000-01 through 2018-19
Merced Union High School District

	Local Secured	Utility	Unsecured	Total	Annual % Change of Total[1]
2000-01	$5,327,252,411	$11,127,943	$315,129,854	$5,653,510,208	--
2001-02	5,408,669,646	11,884,293	364,582,062	5,785,136,001	2.33%
2002-03	5,843,004,627	10,655,637	437,557,400	6,291,217,664	8.75
2003-04	6,329,094,155	10,376,507	445,696,513	6,785,167,175	7.85
2004-05	7,096,879,902	9,737,405	447,366,503	7,553,983,810	11.33
2005-06	8,309,345,178	8,791,584	455,937,599	8,774,074,361	16.15
2006-07	10,208,293,787	8,256,509	512,584,417	10,729,134,713	22.28
2007-08	11,374,817,740	4,104,772	565,227,402	11,944,149,914	11.32
2008-09	10,971,706,442	4,104,772	614,580,256	11,590,391,470	(2.96)
2009-10	9,588,136,677	4,104,772	642,652,382	10,234,893,831	(11.70)
2010-11	9,036,304,280	4,118,169	659,180,764	9,699,603,213	(5.23)
2011-12	8,915,057,160	2,036,267	640,368,765	9,557,462,192	(1.47)
2012-13	8,956,687,293	2,036,267	621,963,064	9,580,686,624	0.24
2013-14	9,579,142,475	2,036,267	650,652,537	10,231,831,279	6.80
2014-15	10,507,964,111	1,253,865	698,410,358	11,207,628,334	9.54
2015-16	11,490,021,459	1,249,617	716,950,057	12,208,221,133	8.93
2016-17	11,918,047,997	1,236,125	796,325,180	12,715,609,302	4.16
2017-18	12,601,777,722	1,231,016	842,438,229	13,445,446,967	5.74
2018-19	13,372,007,653	1,349,974	881,887,003	14,255,244,630	6.02

(1) Calculated based on information provided by California Municipal Statistics, Inc.
Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as a general market decline in real property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the county assessor, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2018-19
Merced Union High School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Atwater	$1,681,175,157	11.79%	$1,681,175,157	100.00%
City of Livingston	871,207,724	6.11	871,207,724	100.00
City of Merced	5,216,009,085	36.59	5,216,009,085	100.00
Unincorporated Merced County	6,486,852,664	45.51	12,873,798,123	50.39
Total District	$14,255,244,630	100.00%		
Merced County	$14,255,244,630	100.00%	$24,107,963,243	59.13%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Merced Union High School District

Non-Residential:	2018-19 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Agricultural	$2,851,822,792	21.28%	5,217	10.09%
Commercial	1,445,462,282	10.79	1,701	3.29
Vacant Commercial	76,366,455	0.57	339	0.66
Industrial	1,705,918,867	12.73	849	1.64
Vacant Industrial	20,575,915	0.15	119	0.23
Government/Social/Institutional	21,100,309	0.16	342	0.66
Miscellaneous	3,694,480	0.03	148	0.29
Subtotal Non-Residential	$6,124,941,100	45.71%	8,715	16.85%
Residential:				
Single Family Residence	$6,358,469,955	47.46%	35,535	68.72%
Mobile Home	37,925,351	0.28	1,477	2.86
Mobile Home Park	10,290,863	0.08	5	0.01
2-4 Residential Units	314,848,280	2.35	1,898	3.67
5+ Residential Units/Apartments	390,296,881	2.91	483	0.93
Vacant Residential	161,900,529	1.21	3,599	6.96
Subtotal Residential	$7,273,731,859	54.29%	42,997	83.15%
Total	$13,398,672,959	100.00%	51,712	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19
Merced Union High School District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	35,535	$6,358,459,955	$178,935	$156,380

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	225	0.633%	0.633%	$4,130,889	0.065%	0.065%
25,000 - 49,999	1,528	4.300	4.933	62,148,907	0.977	1.042
50,000 - 74,999	2,787	7.843	12.776	175,211,914	2.756	3.798
75,000 - 99,999	3,627	10.207	22.983	318,638,999	5.011	8.809
100,000 - 124,999	4,365	12.284	35.267	492,279,407	7.742	16.551
125,000 - 149,999	4,173	11.743	47.010	574,448,820	9.034	25.586
150,000 - 174,999	3,801	10.696	57.706	615,691,940	9.683	35.269
175,000 - 199,999	3,191	8.980	66.686	596,465,750	9.381	44.649
200,000 - 224,999	2,530	7.120	73.806	537,155,486	8.448	53.097
225,000 - 249,999	2,193	6.171	79.977	520,476,923	8.186	61.283
250,000 - 274,999	1,707	4.804	84.781	447,112,184	7.032	68.315
275,000 - 299,999	1,362	3.833	88.614	390,843,564	6.147	74.461
300,000 - 324,999	1,112	3.129	91.743	346,462,547	5.449	79.910
325,000 - 349,999	685	1.928	93.671	230,565,104	3.626	83.536
350,000 - 374,999	506	1.424	95.095	182,444,618	2.869	86.406
375,000 - 399,999	321	0.903	95.998	124,048,749	1.951	88.357
400,000 - 424,999	261	0.734	96.733	107,333,556	1.688	90.045
425,000 - 449,999	222	0.625	97.358	97,187,387	1.528	91.573
450,000 - 474,999	161	0.453	97.811	74,335,816	1.169	92.742
475,000 - 499,999	131	0.369	98.179	63,827,731	1.004	93.746
500,000 and greater	647	1.821	100.000	397,659,664	6.254	100.000
Total	35,535	100.000%		$6,358,469,955	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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Tax Levies, Collections and Delinquencies

The following table sets forth secured tax charges and delinquency information for the County as a whole for fiscal years 2008-09 through 2017-18. Secured tax charges and delinquencies data within the District is unavailable from the County.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2008-09 through 2017-18
Merced County

	Secured Tax Charge[1]	Amt. Del. June 30	% Del. June 30
2008-09	$212,414,686	$16,033,362	7.55%
2009-10	185,685,966	10,124,383	5.45
2010-11	181,280,858	7,662,033	4.23
2011-12	182,359,329	6,959,265	3.82
2012-13	183,402,043	5,412,650	2.95
2013-14	191,877,806	3,950,301	2.06
2014-15	210,294,897	3,659,400	1.74
2015-16	226,343,822	3,764,293	1.66
2016-17	241,117,559	3,823,932	1.59
2017-18	255,256,941	4,459,899	1.75

(1) Reflects all property taxes collected by the County.
Source: California State Controller's Office, as reported by California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has implemented the Teeter Plan. Under the Teeter Plan, the County funds the District its full secured property tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's 1% general purpose secured property tax levy and the *ad valorem* property tax levy for the District's general obligation bonds, including the Bonds, under the Teeter Plan.

Tax Rates

Representative tax rate areas (each, a "TRA") located within the District are TRA 1-001, TRA 3-001, TRA 5-000, and TRA 89-006. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in each such TRA during the five-year period from fiscal years 2014-15 through 2018-19.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2014-15 through 2018-19
Merced Union High School District

	2014-15	2015-16	2016-17	2017-18	2018-19
City of Atwater (Tax Rate Area 1-001)[1]					
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Atwater School District	.0191	.0200	.0189	.0211	.0207
Merced Union High School District	.0419	.0477	.0459	.0384	.0325
Merced Community College District SFID No. 1	.0135	.0114	.0111	.0126	.0116
Total Tax Rate	1.0745%	1.0791%	1.0759%	1.0721%	1.0648%
City of Livingston (Tax Rate Area 3-001)[2]					
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Livingston Union School District	.0229	.0201	.0202	.0262	.0219
Merced Union High School District	.0419	.0477	.0459	.0384	.0325
Merced Community College District SFID No. 1	.0135	.0114	.0111	.0126	.0116
Total Tax Rate	1.0783%	1.0792%	1.0772%	1.0772%	1.0660%
City of Merced (Tax Rate Area 5-000)[3]					
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Merced City School District	.0570	.0557	.0588	.0603	.0055
Merced Union High School District	.0419	.0477	.0459	.0384	.0325
Merced Community College District SFID No. 1	.0135	.0114	.0111	.0126	.0116
Total Tax Rate	1.1124%	1.1148%	1.1158%	1.1113%	1.0496%
Unincorporated Merced County (Tax Rate Area 89-006)[4]					
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Merced Union High School District	.0419	.0477	.0459	.0384	.0325
Merced Community College District SFID No. 1	.0135	.0114	.0111	.0126	.0116
Total Tax Rate	1.0554%	1.0591%	1.0570%	1.0510%	1.0441%

(1) The fiscal year 2018-19 assessed valuation of TRA 1-001 is $1,222,922,243.
(2) The fiscal year 2018-19 assessed valuation of TRA 3-001 is $716,795,519.
(3) The fiscal year 2018-19 assessed valuation of TRA 5-000 is $1,375,731,513.
(4) The fiscal year 2018-19 assessed valuation of TRA 89-006 is $491,199,060.
Source: California Municipal Statistics, Inc.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19
Merced Union High School District

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	E&J Gallo Winery	Food Processing/Agricultural	$606,463,938	4.54%
2.	Foster Poultry Farms	Food Processing/Agricultural	236,476,083	1.77
3.	Dole Packaged Foods LLC	Food Processing/Agricultural	92,649,424	0.69
4.	QG Printing II Corp.	Industrial	88,036,637	0.66
5.	Fresno Farming LLC	Agricultural	78,934,674	0.59
6.	Manuel E. & Laurinda M. Vieira, Trustees	Agricultural	57,294,091	0.43
7.	Universal Foods Corporation	Industrial	46,284,364	0.35
8.	Castle Farms Inc.	Agricultural	44,341,455	0.33
9.	Gallo Cattle Company	Agricultural	44,254,084	0.33
10.	Braden 1996 Family LP	Agricultural	42,840,254	0.32
11.	Wal-Mart Real Estate Business Trust	Commercial	41,280,060	0.31
12.	Castle@Water LLC	Apartments	40,300,220	0.30
13.	Scholle Corporation	Industrial	39,462,155	0.30
14.	Jeanette Veldhuis, Trustee	Agricultural	37,649,652	0.28
15.	McLane Company Inc.	Industrial	36,776,070	0.28
16.	Target Corporation	Commercial	29,062,657	0.22
17.	BRE Throne Applegate Ranch LLC	Commercial	25,219,815	0.19
18.	Mersal Farm LLV	Agricultural	23,747,059	0.18
19.	Costco Wholesale Corporation	Commercial	23,693,097	0.18
20.	Mission Orchards LLC	Agricultural	22,715,751	0.17
			$1,657,481,540	12.40%

(1) The District's fiscal year 2018-19 local secured assessed valuation is $13,372,007,653.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated as of November 30, 2018 and effective as of December 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Merced Union High School District

2018-19 Assessed Valuation: $14,255,244,630

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/18
Merced Community College District School Facilities Improvement District No. 1	78.010%	$23,523,916
Merced Union High School District	**100.000**	**97,767,542**(1)
Atwater School District	100.000	7,897,696
Ballico Cressey Union School District	100.000	6,227,392
Livingston Union School District	100.000	7,910,000
Merced City School District	100.000	59,073,259
Merced River School District	100.000	1,745,000
Weaver Union School District	100.000	18,714,435
City of Merced Community Facilities Districts	100.000	18,240,000
City of Merced 1915 Act Bonds	100.000	1,205,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$242,304,240
OVERLAPPING GENERAL FUND DEBT:		
Merced County Certificates of Participation	59.131%	$16,793,461
Merced County Office of Education Certificates of Participation	59.131	6,465,975
Atwater Union School District Certificates of Participation	100.000	1,905,000
Livingston Union School District Certificates of Participation	100.000	2,996,386
McSwain Union School District Certificates of Participation	100.000	3,942,000
Weaver Union School District Certificates of Participation	100.000	2,965,000
City of Merced Pension Obligation Bonds	100.000	4,350,000
TOTAL OVERLAPPING GENERAL FUND DEBT		$39,417,822
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$25,748,442
COMBINED TOTAL DEBT		$307,470,504(2)

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($97,767,542)... 0.69%
Total Direct and Overlapping Tax and Assessment Debt...... 1.70%
Combined Total Debt 2.16%

Ratios to Redevelopment Incremental Valuation ($1,076,834,663):
Total Overlapping Tax Increment Debt................................. 2.39%

(1) Excludes the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity Value of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy property taxes for payment of the principal and Maturity Value of and interest on the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the adjusted base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State legislature (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the State Supreme Court have upheld the general validity of Article XIIIA.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property <u>within the same county</u>, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value <u>exceeds 120%</u> of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does <u>not exceed 120%</u> of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value <u>is less than</u> the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts and community college districts (collectively "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for bonded debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act were modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school districts appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the State budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. <u>Annual Adjustments to Spending Limit</u>. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. <u>Treatment of Excess Tax Revenues</u>. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. <u>Exclusions from Spending Limit</u>. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. <u>Recalculation of Appropriations Limit</u>. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year

1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as "Proposition 39") to the State Constitution. Proposition 39 is an initiated Constitutional amendment that (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, such that property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary or high school district, such as the District), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. The State may shift from schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was projected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the State Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a

"Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in State general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter schools ($500 million) and technical education facilities ($500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances and State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Maturity Value of and interest on the Bonds are payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on a uniform system of funding grants assigned to certain grade spans. See "—Local Control Funding Formula" herein.

The following table reflects the District's historical ADA and the funded and deficit revenue limit rates per unit of ADA for fiscal years 2007-08 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2007-08 through 2012-13
Merced Union High School District

Fiscal Year	ADA[1]	Change	Base Revenue Limit Per ADA[2]	Deficit Revenue Limit Per ADA[2]
2007-08	10,060	--	$6,699	$6,677
2008-09	10,036	(24)	7,056	6,502
2009-10	9,939	(97)	7,356	6,005
2010-11	9,852	(87)	6,123	6,011
2011-12	9,737	(115)	7,630	6,058
2012-13	9,546	(191)	7,878	6,123

Note: All numbers are rounded to the nearest whole.
(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).
Source: Merced Union High School District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the fiscal year 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows the District's ADA, enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2017-18, and projected amounts for fiscal year 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2018-19
Merced Union High School District

Fiscal Year	ADA[1]	Enrollment[2]	% of EL/LI Enrollment
2012-13	9,546	10,078	[3]
2013-14	9,444	9,964	78.17%
2014-15	9,473	10,039	76.90
2015-16	9,636	10,203	79.78
2016-17	9,828	10,379	75.99
2017-18	9,978	10,542	78.66
2018-19[4]	9,978	10,523	76.28

(1) Reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
(2) For fiscal year 2012-13, reflects enrollment as of the October report submitted to the California Basic Educational Data System ("CBEDS") in such school year. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and is used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(3) The District did not calculate the EL/LI student enrollment prior to the implementation of the LCFF in fiscal year 2013-14.
(4) Projected.
Source: Merced Union High School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

Accountability. The State Board of Education adopted regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be updated annually, covering a three-year period. The State Board of Education has developed a template LCAP for school districts to use.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts in meeting the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district with identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts with achieving the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, developer fees, and other local sources.

Developer Fees. The District receives developer fees per square foot pursuant to State Government Code Section 65995 (the "Developer Fees"). The Developer Fees received by the District are deposited directly into the District's Capital Facilities Fund. The District received $253,645, $688,798, $791,031, $1,421,518, and $2,066,987 in Developer Fees in fiscal years 2013-14 through 2017-18, respectively, and the District has projected that it will receive $1,312,022 in Developer Fees in fiscal year 2018-19.

Tax Offset Revenues and Pass-Through Revenues. The District receives tax offset revenue from the County as a part of certain redevelopment projects within the boundaries of the District (the "Tax Offset Revenues"). The Tax Offset Revenues received by the District are deposited directly into the District's general fund and are offset against the State apportionment received by the District. The District also receives pass-through tax increment revenue (the "Pass-Through Revenues") from the successors to the redevelopment agencies formerly within the District's boundaries. The Pass-Through Revenues are also deposited into the general fund, but not offset against the State apportionment received by the District. The District received $307,324, $344,990, $598,239, $761,702, and $695,015 in Tax Offset Revenues in fiscal years 2013-14 through 2017-18, respectively, and has projected that it will receive $695,015 in Tax Offset Revenues in fiscal year 2018-19. The District received $61,949, $47,933, $443,816, $82,255, and $86,844 in Pass-Through Revenues in fiscal years 2013-14 through 2017-18, respectively, and has projected that it will receive $86,844 in Pass-Through Revenues in fiscal year 2018-19.

The District can make no representations that the Pass-Through Revenues and Tax Offset Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected. The Bonds, however, are not payable from such revenue. The Bonds are payable solely from the proceeds of an *ad valorem* property tax which is required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

On December 30, 2011, the State Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos, finding ABX1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012.

ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least $250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth is tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities, including the District. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values . . . and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which any apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the County superintendent of schools and has never received a "qualified" or "negative" certification of an Interim Financial Report pursuant to AB 1200.

General Fund Budgeting. The table on the following page summarizes the District's general fund adopted budgets for fiscal years 2014-15 through 2018-19, audited actual results for fiscal years 2014-15 through 2017-18, and projected actuals for fiscal year 2018-19.

GENERAL FUND BUDGETING[1]
Fiscal Years 2014-15 through 2018-19
Merced Union High School District

	Adopted Budget 2014-15[2]	Audited Actuals 2014-15[2]	Adopted Budget 2015-16[2]	Audited Actuals 2015-16[2]	Adopted Budget 2016-17[2]	Audited Actuals 2016-17[2]	Adopted Budget 2017-18[2]	Audited Actuals 2017-18[2]	Adopted Budget 2018-19[3]	Projected Actuals 2018-19[3]
REVENUES										
LCFF Sources	$80,087,318	$81,292,710	$96,002,330	$97,921,440	$104,584,355	$106,974,657	$109,582,845	$112,253,584	$119,653,167	$120,114,430
Federal Sources	7,802,789	7,540,312	7,586,376	7,654,006	7,634,173	7,292,016	7,556,815	8,616,390	9,366,222	9,921,007
Other State Sources	5,162,555	6,338,830	11,728,528	15,921,486	14,507,217	15,846,311	11,057,662	13,272,696	11,863,722	14,807,372
Other Local Sources	1,645,190	2,150,549	1,370,269	2,719,371	2,217,271	1,909,341	1,504,235	2,397,154	1,528,795	1,534,919
Total Revenues[4]	94,697,852	97,322,401	116,687,503	124,216,303	128,943,016	132,022,325	129,701,557	136,539,824	142,411,906	146,377,727
EXPENDITURES										
Current										
Certificated Salaries	42,190,259	46,197,826	45,302,398	49,711,660	50,824,035	52,832,585	53,173,547	53,714,072	56,574,266	58,578,316
Classified Salaries	14,013,542	15,605,707	15,898,469	17,270,699	18,359,349	17,830,649	18,194,360	18,091,079	18,838,851	19,493,744
Employee Benefits	16,983,108	18,637,370	20,436,282	24,333,891	27,461,616	27,965,397	28,689,546	28,918,196	30,897,109	33,073,505
Books & Supplies	8,129,943	6,998,525	9,244,950	7,207,575	10,215,402	7,294,484	6,805,941	6,261,137	9,248,711	10,652,910
Services & Other Operating Expenses	10,846,669	12,162,067	13,679,383	13,479,418	14,720,627	15,280,314	16,661,326	16,394,804	15,975,960	17,494,321
Other Outgo	1,155,138	1,136,417	1,216,633	1,324,047	1,523,709	1,896,455	1,736,429	2,386,893	2,350,448	2,350,448
Capital Outlay	845,212	2,209,040	123,058	2,163,933	1,673,789	3,222,040	317,659	3,078,508	1,092,929	1,679,446
Total Expenditures[4]	94,163,871	102,946,952	105,901,173	115,491,223	124,778,527	126,321,924	125,578,808	128,844,689	134,978,274	143,322,690
Excess (Deficiency) of Revenues Over Expenditures	533,981	(5,624,551)	10,786,330	8,725,080	4,164,489	5,700,401	4,122,749	7,695,135	7,433,632	3,055,037
Other Financing Sources (Uses)										
Interfund Transfers In[5]	1,000,000	958,995	--	388,258	285,000	429,078	285,000	71,000	--	1,758,417
Interfund Transfers Out[6]	(1,439,519)	(1,154,519)	(5,474,519)	(4,203,473)	(6,597,634)	(5,700,263)	(7,631,219)	(5,730,703)	(7,048,399)	(5,548,399)
Net Financing Sources (Uses)	(439,519)	(195,524)	(5,474,519)	(3,815,215)	(6,312,634)	(5,271,185)	(7,346,219)	(5,659,703)	(7,048,399)	(3,789,982)
NET CHANGE IN FUND BALANCES	94,462	(5,820,075)	5,311,811	4,909,865	(2,148,145)	429,216	(3,223,470)	2,035,432	385,233	(734,945)
Fund Balance – Beginning	25,653,522	25,653,522	19,833,447	19,833,447	24,743,312	24,743,312	25,172,528	25,172,528	27,207,959	27,207,959
Fund Balance - Ending	$25,747,984	$19,833,447	$25,145,258	$24,743,312	$22,595,167	$25,172,528	$21,949,058	$27,207,960	$27,593,192	$26,473,014

(1) Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 54, the Special Reserve Fund for Other than Capital Outlay Projects ("Fund 17"), the Pupil Transportation Fund ("Fund 15") and the Special Reserve Fund for Postemployment Benefits ("Fund 20") do not meet the definition of a special revenue fund. Fund balances reflect the unrestricted and restricted general fund, as well as Funds 15, 17, and 20. The Audited Actuals revenues and expenditures for fiscal years 2014-15 through 2017-18 reflect such funds, as well, but the Adopted Budget revenues and expenditures for all years and the Projected Actuals revenues and expenditures for fiscal year 2018-19 reflect only the unrestricted and restricted general fund.

(2) From the District's Comprehensive Audited Financial Statements for fiscal years 2014-15 through 2017-18, respectively.

(3) From the District's First Interim Financial Report for fiscal year 2018-19, approved by the Board on December 12, 2018. Numbers are rounded to nearest whole dollar.

(4) On behalf payments are not included in the revenues and expenditures for fiscal years 2014-15 and 2015-16.

(5) Primarily consist of transfers in from the Cafeteria Special Revenue Fund (to repay loans), Adult Education Fund (to repay a loan, return unspent allocation, and pay excess ending fund balance), Child Development Fund (to pay excess ending fund balance), and Special Reserve Fund for Other than Capital Outlay Projects (to pay an energy grant shortfall and repay a loan).

(6) Include temporary cash borrowings to the Cafeteria Special Revenue Fund, as well as contributions to the Deferred Maintenance Fund, the Special Reserve Fund for Postemployment Benefits and the Special Reserve Fund for Other than Capital Outlay Projects.

Source: Merced Union High School District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2018 and prior fiscal years are on file with the District and available for public inspection at the Merced Union High School District, 3430 "A" Street, Atwater, California 95301, telephone: (209) 384-6413. The District's audited financial statements for the year ended June 30, 2018 are attached hereto as APPENDIX B.

The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

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AUDITED GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES[1]
Fiscal Years 2013-14 through 2017-18
Merced Union High School District

	2013-14	2014-15	2015-16	2016-17	2017-18
REVENUES					
LCFF	$72,566,896	$81,292,710	$97,921,440	$106,974,657	$112,253,584
Federal Sources	7,392,315	7,540,312	7,654,006	7,292,016	8,616,390
Other State Sources	10,207,434	8,442,035	15,921,486	15,846,311	13,272,696
Other Local Sources	2,202,413	2,150,549	2,719,371	1,909,341	2,397,154
Total Revenues	92,369,058	99,425,606	124,216,303	132,022,325	136,539,824
EXPENDITURES					
Current					
Instruction	52,538,792	58,759,220	64,693,025	67,474,742	68,106,384
Instruction-Related Activities:					
Supervision of Instruction	2,927,082	2,684,512	3,254,012	4,865,362	4,292,508
Instructional Library, Media and Technology	1,327,185	1,370,036	1,633,287	1,702,700	1,724,968
School Site Administration	8,510,800	9,020,377	9,827,552	10,697,179	10,702,671
Pupil Services:					
Home-to-school Transportation	2,606,517	2,851,613	2,969,576	3,687,123	4,810,482
Food Services	28,360	39,797	60,404	260,757	64,135
All other Pupil Services	7,712,007	8,324,018	10,595,016	11,929,374	11,766,256
General Administration:					
Data Processing	1,320,761	1,572,100	1,337,590	1,538,573	1,653,549
All Other General Administration	4,706,279	4,769,030	4,438,236	5,009,658	5,406,338
Plant Services	10,558,229	10,835,121	11,311,510	12,055,020	12,269,105
Facility Acquisition and Construction	542,667	1,654,628	1,604,768	2,554,649	2,431,668
Ancillary Services	1,562,361	1,811,267	1,994,678	2,352,947	2,686,827
Other Outgo	1,332,148	1,246,871	1,640,146	2,042,561	2,773,629
Enterprise Services	225,646	111,567	131,423	151,279	156,169
Total Expenditures	95,898,834	105,050,157	115,491,223	126,321,924	128,844,689
Excess (Deficiency) of Revenues Over Expenditures	(3,529,776)	(5,624,551)	8,725,080	5,700,401	7,695,135
Other Financing Sources (Uses)					
Transfers In[2]	1,109,871	958,995	388,258	429,078	71,000
Transfers Out[3]	(2,175,863)	(1,154,519)	(4,203,473)	(5,700,263)	(5,730,703)
Net Financing Sources (Uses)	(1,065,992)	(195,524)	(3,815,215)	(5,271,185)	(5,659,703)
NET CHANGE IN FUND BALANCES	(4,595,768)	(5,820,075)	4,909,865	429,216	2,035,432
Fund Balance – Beginning	30,249,289	25,653,522	19,833,447	24,743,312	25,172,528
Fund Balance – Ending	$25,653,521	$19,833,447	$24,743,312	$25,172,528	$27,207,960

(1) From the District's Comprehensive Audited Financial Statements for fiscal years 2013-14 through 2017-18, respectively. Reflects unrestricted and restricted general fund, as well as Funds 15, 17 and 20, in accordance with GASB Statement No. 54.
(2) Primarily consist of transfers in from the Cafeteria Special Revenue Fund (to repay loans), Adult Education Fund (to repay a loan, return unspent allocation, and pay excess ending fund balance), Child Development Fund (to pay excess ending fund balance), and Special Reserve Fund for Other than Capital Outlay Projects (to pay an energy grant shortfall and repay a loan).
(3) Include temporary cash borrowings to the Cafeteria Special Revenue Fund, as well as contributions to the Deferred Maintenance Fund, the Special Reserve Fund for Postemployment Benefits and the Special Reserve Fund for Other than Capital Outlay Projects.
Source: Merced Union High School District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal or Maturity Value of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof.*

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of $133.3 billion and authorizes expenditures of $138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.9 billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion, reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of \$1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by \$579 (or 5.2%) from the prior year, up to \$11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: \$8,235 for grades K-3, \$7,571 for grades 4-6, \$7,796 for grades 7-8 and \$9,269 for grades 9-12.

- *Low-Performing Students Block Grant* – \$300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of \$54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – \$12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates \$5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – \$10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – \$164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as \$150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of \$1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – \$75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with \$50 million earmarked for special education teachers and \$25 million earmarked for bilingual and STEM teachers; and \$50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *Proposition 51* – a total allocation of $594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve

Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under the Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at $80.7 billion, reflecting an increase of $2.8 billion from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $577 million in Proposition 98 funding (of which $186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- *Preschool* – $125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Early Education* – An increase of $750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes $500 million for improvements to early education (including $245 million for facilities, $245 million for the child care workforce, and $10 million to improve access and quality).

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal and Maturity Value of and interest on the Bonds would not be impaired.

MERCED UNION HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Maturity Value of and interest on the Bonds are payable from the general fund of the District. The principal and Maturity Value of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied annually by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The District, located in the State's San Joaquin Valley, serves the cities of Merced, Atwater, and Livingston and adjacent unincorporated areas of the County. The District was established in 1915, encompasses approximately 625 square miles, and serves a population of approximately 177,142 residents. The District currently operates six comprehensive high schools for grades 9-12, one continuation school for grades 9-12, one community day school, one independent study school, and one adult school. For fiscal year 2018-19, the District has an assessed valuation of $14,255,244,630, and has projected an ADA of 9,978 students.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Merced Union High School District, Attention: Assistant Superintendent of Business and Student Services, 3430 "A" Street, Atwater, California 95301.

Administration

The District is governed by the five-member Board, each member of which is elected by trustee area to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

BOARD OF TRUSTEES
Merced Union High School District

Name	Office	Term Expires
Richard Lopez	President	December 2022
Tiffany Pickle	Vice President	December 2022
Erin Hamm	Clerk	December 2022
John Medearis	Member	December 2020
Julio Valadez	Member	December 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Mr. Alan Peterson is currently the Superintendent of the District. Brief biographies of the Superintendent and the Assistant Superintendent of Business and Student Services follow:

Alan Peterson, Superintendent. Mr. Peterson was appointed to serve as the Superintendent of the District effective November 2015. Immediately prior thereto, he served as the Assistant Superintendent/Chief Business Official of the District. Mr. Peterson has also previously served as the principal of Atwater High School in the District, and he assisted in the opening of Sequoia High School, the District's community day school. He began his career in education at Hilmar Unified School District, serving as a teacher, coach and Vice Principal. Mr. Peterson earned his Bachelor's Degree from California State University, Chico, and his Master's degree from Chapman University.

Scott Weimer, Ed.D., Assistant Superintendent of Business and Student Services. Dr. Weimer was appointed the Assistant Superintendent of Business and Student Services of the District effective July 1, 2017. Immediately prior thereto, he served as the Executive Director of Curriculum and Instruction for the District. Dr. Weimer was previously a site administrator at the District, and has served the District for 23 years. He earned his Bachelor's degree in Political Science, with a minor in Business Administration and Economics, and his Master's Degree in Education, with a concentration in School Administration, from California State University, Stanislaus, and his Doctorate of Education from the University of South Carolina. Dr. Weimer has also completed the California Association of School Business Officials Chief Business Official certification.

Historical Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 22:1. The following table shows a 10-year enrollment history for the District.

HISTORICAL ENROLLMENT
Fiscal Years 2009-10 through 2018-19
Merced Union High School District

Fiscal Year	Enrollment[1]
2009-10	10,617
2010-11	10,432
2011-12	10,293
2012-13	10,078
2013-14	9,964
2014-15	10,039
2015-16	10,203
2016-17	10,379
2017-18	10,542
2018-19[2]	10,523

(1) Reflects enrollment as of the October CBEDS for fiscal years 2009-10 through 2012-13, and October CALPADS for fiscal years 2013-14 through 2018-19.
(2) Projected.
Source: Merced Union High School District.

Labor Relations

As of December 2018, the District employed 589 full-time certificated employees, including certain management employees, and 390 full-time classified employees, including certain management employees. In addition, as of such date, the District employed approximately 31 part-time certificated employees and 71 part-time classified employees. District employees, except management and some part-time employees, are represented by two employee bargaining units, as noted below:

EMPLOYEE BARGAINING UNITS
Merced Union High School District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Merced Union High School Teachers Association	527	June 30, 2021
California School Employees Association, Chapter 252	361	June 30, 2019

Source: Merced Union High School District.

District Retirement Systems

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District, the Municipal Advisor or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contributions to STRS were $3,356,004 in fiscal year 2012-13, $3,614,023 in fiscal year 2013-14, $4,115,815 in fiscal year 2014-15, $5,374,425 in fiscal year 2015-16, $6,576,521 in fiscal year 2016-17, and $7,699,242 in fiscal year 2017-18. The District projects $9,661,134 for its contribution to STRS for fiscal year 2018-19.

The State also contributes to STRS, currently in an amount equal 7.328% for fiscal year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures or fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "- California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $1,545,470 in fiscal year 2012-13, $1,622,915 in fiscal year 2013-14, $1,771,307 in fiscal year 2014-15, $1,998,538 in fiscal year 2015-16, $2,496,273 in fiscal year 2016-17, and $2,832,950 in fiscal year 2017-18. The District projects $3,342,882 for its contribution to PERS for fiscal year 2018-19.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The table on the following page summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [1]
Fiscal Years 2010-11 through 2016-17

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2]	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[4]	--[4]
2014-15	73,325	56,814	16,511	--[4]	--[4]
2015-16	77,544	55,785	21,759	--[4]	--[4]
2016-17	84,416	60,865	23,551	--[4]	--[4]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by $10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The Schools Pool Actuarial Valuation as of June 30, 2017, reported that, based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.7%, with annual increases thereafter, resulting in a projected 25.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the District reported its proportionate shares of the net pension liabilities for the STRS and PERS programs to be $87,260,594 and $33,704,050, respectively. See also "APPENDIX B – 2017-18 Audited Financial Statements of the District – Note 12" attached hereto.

Other Post-Employment Benefits

Plan Benefits. The Post-Employment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides post-employment medical and dental insurance benefits (the "Benefits"), in accordance with District employment contracts, to eligible retirees and their spouses. As of December 2018, membership of the Plan consisted of approximately 226 retirees and beneficiaries currently receiving Benefits and 999 active Plan members.

Funding Policy. The required contribution to the Plan is based on a projected pay-as-you-go basis to cover the costs of its current retirees. The District contributes a negotiated portion of the amount of premiums incurred by retirees and their dependents (currently, approximately 82% of such total premiums), with the retirees contributing the remaining portion. Individual employee contributions vary according to when such employee retired and coverage selected. In fiscal years 2014-15, 2015-16, 2016-17, and 2017-18, the District contributed $1,215,143, $950,272, $1,055,273, and $979,035 to the Plan, respectively. The District has projected a contribution of $1,034,164 for the Benefits in fiscal year 2018-19.

The District has established an internal service fund to begin funding its UAAL (as defined herein) with respect to the Benefits (the "Internal Service Fund"). As of December 2018, $1,728,051 was on deposit in the Internal Service Fund. The District has projected no contribution to the Internal Service Fund in fiscal year 2018-19. The Internal Service Fund has not been irrevocably pledged to the payment of the Benefits, and may be accessed for other purposes upon Board decision.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB Statement No. 74") and *Governmental Accounting Standards Board Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB Statement No. 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB Statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study was dated January 2, 2019 (the "Study"), and had a valuation date of June 30, 2017. The Study concluded that, as of a June 30, 2018 measurement date, the Total OPEB Liability (the "TOL") with respect to such Benefits, was $21,562,235. Because the District does not maintain a qualifying irrevocable trust, the District's Net OPEB Liability (the "NOL") is equal to the TOL. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B –2017-18 Audited Financial Statements of the District – Note 9" attached hereto.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB Statement No. 74 and GASB Statement No. 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statements No. 43 and 57 and GASB Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post–employment benefits to plan members, and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability (the "NOL"), to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability (the "TOL"), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (the "FNP") is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB Statement No. 74 and GASB Statement No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time.

Medicare Premium Payment Program

The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan Defined Benefit Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study, with measurement and valuation dates of June 30, 2016, has been prepared pursuant to GASB Statements No. 74 and No. 75 with respect to the liability of the MPP Program. At June 30, 2018, the District reported a liability of $718,674 for its proportionate share of the net OPEB liability for the MPP Program. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions relative to the projected contributions of all participating school districts, actuarially determined.

Social Security

As established by federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use social security. Contributions made by the District and an employee vest immediately. The District and any employee who is not a member of STRS or PERS are each required to contribute 6.2% of such employee's gross earnings.

Early Retirement Incentive Program

The District has obligations to the Public Agency Retirement System totaling $1,839,036 for early retirement incentives granted to terminated employees (the "Retirement Incentives"). The payments to be made by the District with respect to the Retirement Incentives, as of June 30, 2018, were as follows.

RETIREMENT INCENTIVE PAYMENT REQUIREMENTS
As of June 30, 2018
Merced Union High School District

Year Ending June 30,	Payment
2019	$622,740
2020	622,740
2021	296,778
2022	296,778
Total	$1,839,036

Source: Merced Union High School District.

Risk Management

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District contracts with Self Insured Schools of California joint powers authority ("SISC") for property and liability insurance coverage. Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation. The District participates in the Merced County Schools Insurance Group joint powers authority ("MCSIG"), an insurance purchasing pool, to achieve the benefit of a reduced premium. Each participant in MCSIG shares equally in the overall performance of MCSIG.

Employee Medical Benefits. The District contracts with the Self Insured Schools of California Health and Welfare Program (the "SISCHWP") to provide employee health benefits. SISCHWP is a shared risk pool comprised of agencies within the State.

Public Entity Risk Pools and Joint Powers Authorities. The District pays an annual premium to each of SISC, MCSIG, and SISCHWP (the "Risk Pools"). The relationships between the District and the Risk Pools are such that they are not component units of the District for financial reporting purposes. In fiscal year 2017-18, the District made payments of $9,916,998, $732,102, and $1,873,092 to SISCHWP, SISC and MCSIG, respectively. For fiscal year 2018-19, the District has projected payments of $9,916,998, $732,102, and $1,873,092 to SISCHWP, SISC and MCSIG, respectively.

See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Notes 11 and 14" attached hereto.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt obligations.

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
1999 Capital Appreciation Bonds, Series A	$15,558,223	$777,686	$2,185,000	$14,150,909
2009 Current Interest Bonds, Series A	20,445,000	--	18,970,000	1,475,000
2009 Capital Appreciation Bonds, Series A	2,865,246	257,486	--	3,122,732
2011 Current Interest Bonds, Series B-1	25,000,000	--	9,655,000	15,345,000
2011 Capital Appreciation Bonds, Series B	959,364	115,338	--	1,074,702
2011 Capital Appreciation Bonds, Series C	20,112,314	1,326,746	--	21,439,060
2015 Capital Appreciation Refunding Bonds	33,198,170	1,770,244	--	34,968,414
2008 Current Interest Bonds, Series D	12,945,000	--	--	12,945,000
2008 Capital Appreciation Bonds, Series D	5,189,737	229,639	--	5,419,376
2017 Current Interest Refunding Bonds	--	16,380,000	--	16,380,000
Bond Premium	323,675	3,588,944	11,161	3,901,458
Bond Discount	(239,228)	--	(7,036)	(232,192)
Compensated absences - net	510,330	--	173,357	336,973
Public Agency Retirement System	977,886	1,483,890	622,740	1,839,036
Other postemployment benefits, including Medicare Premium Payment Program	21,321,957	1,058,216	99,264	22,280,909
Total	$159,167,674	$26,988,189	$31,709,486	$154,446,377

Source: Merced Union High School District.

General Obligation Bonds. The District received authorization at an election of the registered voters of the District held on June 8, 1999, at which the requisite two-thirds or more of the persons voting on the proposition voted to authorize the issuance of not to exceed $24,633,000 principal amount of general obligation bonds (the "1999 Authorization"). On August 19, 1999, the District caused the issuance of the first and only series of bonds under the 1999 Authorization in the aggregate principal amount of $24,631,061 (the "1999 Series A Bonds").

The District received authorization at an election of the registered voters of the District held on November 4, 2008, at which the requisite fifty-five percent or more of the persons voting on the proposition voted to authorize the issuance of not to exceed $149,450,000 principal amount of general obligation bonds. On May 5, 2009, the District caused the issuance of the 2008 Series A Bonds in an aggregate principal amount of $24,999,943.90. On March 3, 2011, the District concurrently caused the issuance of 2008 Series B Bonds in the aggregate principal amount of $462,564.60 and the 2008 Series B-1 Bonds, in the aggregate principal amount of $25,000,000. The 2008 Series B-1 Bonds were designated as "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 6431(f)(3)(B) of the Internal Revenue Code of 1986, as amended apply thereto. Pursuant to such designation, the District expects to receive Subsidy Payments (as defined herein) on or about each semi-annual interest payment date from the United States Department of the Treasury. For a discussion of the Subsidy Payments, see Footnote 1 to the "COMBINED GENERAL OBLIGATION BONDED INDEBTEDNESS" table below. On December 14, 2011, the District caused the issuance of the 2008 Series C Bonds in the aggregate principal amount of $30,489,820.80. On October 8, 2015, the District caused the issuance of the 2008 Series D Bonds in the aggregate principal amount of $17,799,586.40.

The Bonds are the sixth issuance under the 2008 Authorization. Following the issuance of the Bonds, $44,906,686.85 of the 2008 Authorization will remain unissued.

On June 23, 2015, the District issued its 2015 General Obligation Refunding Bonds in the aggregate principal amount of $29,749,416.90 (the "2015 Refunding Bonds") to advance refund a portion of the then-outstanding 2008 Series C Bonds. On December 6, 2017, the District issued its 2017 General Obligation Refunding Bonds in the aggregate principal amount of $16,380,000 (the "2017 Refunding Bonds") to advance refund a portion of the then-outstanding 2008 Series A Bonds.

The table on the following page shows future debt service payments on all of the District's outstanding general obligation bonds, including the Bonds (assuming no optional redemptions).

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COMBINED GENERAL OBLIGATION BONDED INDEBTEDNESS
Merced Union High School District

Year Ending (August 1)	1999 Authorization	2008 Authorization								
	1999 Series A Bonds	2008 Series A Bonds	2008 Series B Bonds	2008 Series B-1 Bonds(1)	2008 Series C Bonds	2015 Refunding Bonds	2008 Series D Bonds	2017 Refunding Bonds	The Bonds	Total Debt Service
2019	$2,285,000.00	$832,000.00	--	$2,543,071.40	$80,000.00	--	$602,800.00	$800,250.00	$111,622.37	$7,254,743.77
2020	2,340,000.00	--	--	2,510,944.20	90,000.00	--	617,800.00	1,610,250.00	435,791.50	7,604,785.70
2021	2,390,000.00	--	--	2,491,566.60	95,000.00	--	637,800.00	1,709,750.00	367,523.50	7,691,640.10
2022	2,445,000.00	--	--	2,473,435.40	100,000.00	--	657,800.00	1,807,250.00	360,228.50	7,843,713.90
2023	2,500,000.00	--	--	2,449,824.00	105,000.00	--	677,800.00	1,917,500.00	377,937.50	8,028,061.50
2024	2,555,000.00	--	--	2,429,160.80	110,000.00	--	697,800.00	2,029,500.00	401,337.50	8,222,798.30
2025	--	--	--	2,395,774.20	115,000.00	--	722,800.00	2,152,750.00	423,537.50	5,809,861.70
2026	--	--	$1,410,000.00	--	1,015,000.00	--	802,800.00	2,286,250.00	444,537.50	5,958,587.50
2027	--	--	1,410,000.00	--	1,105,000.00	--	772,800.00	2,419,000.00	469,337.50	6,176,137.50
2028	--	--	--	--	2,620,000.00	--	787,800.00	2,565,500.00	494,837.50	6,468,137.50
2029	--	--	--	--	2,720,000.00	--	812,800.00	2,719,500.00	528,337.50	6,780,637.50
2030	--	3,280,000.00	--	--	2,855,000.00	--	837,800.00	--	129,337.50	7,102,137.50
2031	--	3,510,000.00	--	--	2,935,000.00	--	862,800.00	--	129,337.50	7,437,137.50
2032	--	--	--	--	6,765,000.00	--	887,800.00	--	139,337.50	7,792,137.50
2033	--	--	--	--	7,105,000.00	--	912,800.00	--	144,012.50	8,161,812.50
2034	--	4,180,000.00(2)	--	--	3,280,000.00	--	937,800.00	--	148,525.00	8,546,325.00
2035	--	--	--	--	7,830,000.00	--	967,800.00	--	157,875.00	8,955,675.00
2036	--	--	--	--	8,225,000.00	--	987,800.00	--	166,900.00	9,379,700.00
2037	--	--	--	--	8,635,000.00	--	1,017,800.00	--	175,600.00	9,828,400.00
2038	--	--	--	--	--	$7,385,000.00	2,727,800.00	--	180,600.00	10,293,400.00
2039	--	--	--	--	--	7,735,000.00	2,857,800.00	--	190,600.00	10,783,400.00
2040	--	--	--	--	--	8,100,000.00	2,992,800.00	--	200,600.00	11,293,400.00
2041	--	--	--	--	--	8,485,000.00	3,137,800.00	--	210,600.00	11,833,400.00
2042	--	--	--	--	--	8,890,000.00	3,283,300.00	--	220,600.00	12,393,900.00
2043	--	--	--	--	--	9,315,000.00	3,439,600.00	--	225,600.00	12,980,200.00
2044	--	--	--	--	--	9,755,000.00	3,604,000.00	--	237,600.00	13,596,600.00
2045	--	--	--	--	--	10,220,000.00	956,800.00	--	3,068,000.00	14,244,800.00
2046	--	--	--	--	--	10,705,000.00	--	--	--	10,705,000.00
2047	--	--	--	--	--	11,210,000.00	--	--	--	11,210,000.00
2048	--	--	--	--	--	11,745,000.00	--	--	--	11,745,000.00
2049	--	--	--	--	--	12,300,000.00	--	--	--	12,300,000.00
2050	--	--	--	--	--	12,885,000.00	--	--	--	12,885,000.00
2051	--	--	--	--	--	13,500,000.00	--	--	--	13,500,000.00
Total	$14,515,000.00	$11,802,000	$2,820,000.00	$17,293,776.60	$55,785,000.00	$142,230,000.00	$38,203,100.00	$22,017,500.00	$10,140,153.37	$314,806,529.97

(1) Represents gross debt service thereon. The 2008 Series B-1 Bonds were designated as "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 6431(f)(3)(B) of the Internal Revenue Code of 1986, as amended apply thereto. The District expects to receive cash subsidy payments (the "Subsidy Payments") from the United States Department of the Treasury equal to the interest that would be payable on the 2008 Series B-1 Bonds, if the interest thereon were determined at a federal tax credit rate of 5.41%, on or about each semi-annual interest payment date. Such Subsidy Payments are required to be deposited, as and when received, in the debt service fund for the 2008 Series B-1 Bonds, to be used as a credit against future debt service thereon. The Subsidy Payments are subject to reduction (a "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which includes provisions reducing the Subsidy Payments by 6.2% during the federal fiscal year ending September 30, 2019. In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County is required to levy an *ad valorem* property tax sufficient to pay the principal of and interest on the 2008 Series B-1 Bonds.

(2) Matures on May 1, 2034.

Source: Merced Union High School District.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Bond Owner of the Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO

OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX F – MERCED COUNTY INVESTMENT POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code, are eligible for security for deposits of public moneys in the State.

Enhanced Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, and in connection with the District's previous continuing disclosure undertakings, the District has (i) failed to file in a timely manner the annual reports for fiscal year 2012-13, (ii) failed to file in a timely manner notices of certain listed events, and (iii) never filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure undertakings, in connection with the annual reports described above.

The District has retained Keygent LLC to assist the District with the preparation and filing of future annual reports and notices of listed events as required under its existing undertakings, as well as the undertaking in connection with the Bonds.

Bank Qualified

The District will designate the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

Moody's has assigned the rating of "Aa3" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency, at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any rating changes on the Bonds. See "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Vavrinek, Trine, Day & Co., LLP (the "Auditor") dated December 11, 2018, are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), pursuant to a contract for purchase and sale thereof by and between the Underwriter and the District (the "Purchase Contract"). The Underwriter has agreed to purchase the Bonds at a price of $6,163,860.06, which is equal to the initial principal amount of the Bonds of $5,791,397.45, plus net original issue premium of $405,763.15, and less the Underwriter's discount of $33,300.54.

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

Underwriter Disclosure. The Underwriter has provided the following information for inclusion in this Official Statement:

In September 2008, the Underwriter made a contribution to an organization in support of the Measure M bond authorization on the ballot of November 2008.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

MERCED UNION HIGH SCHOOL DISTRICT

By: /s/ Scott Weimer, Ed.D.
Assistant Superintendent of Business
and Student Services

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

January 29, 2019

Board of Trustees
Merced Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $5,791,397.45 Merced Union High School District Election of 2008 General Obligation Bonds, Series E (Bank Qualified) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a 55% vote of the qualified electors of the Merced Union High School District (the "District") voting at an election held on November 4, 2008, and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the

Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, as amended, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

MERCED UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

MERCED UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

MERCED UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Merced Union High School District
Merced, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 72, schedule of changes in the District's total OPEB liability and related ratios on page 73, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 74, schedule of the District's proportionate share of the net pension liability on page 75, and the schedule of District contributions on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Merced Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the Merced Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Merced Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Merced Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 11, 2018

Merced Union High School District
3430 A Street, Atwater, CA 95301 • Mailing: PO Box 2147 Merced, CA 95344
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Merced Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Merced Union High School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) and deferred outflows, as well as all liabilities (including long-term obligations) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Merced Union High School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of grade nine through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the Merced Union High School District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and deferred compensation. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position* and the *Statement of Changes in Fund Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's total net position was $14.0 million for the fiscal year ended June 30, 2018. Restricted net position, which totaled $13.1 million, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

(Amounts in millions)	School District Activities		
	2018	2017, as Restated	Variance
Assets			
Current and other assets	$ 56.0	$ 60.6	$ (4.6)
Capital assets	211.5	210.5	1.0
Total Assets	267.5	271.1	(3.6)
Deferred Outflows of Resources	39.8	22.6	(2.6)
Liabilities			
Current liabilities	10.4	12.4	(2.0)
Long-term obligations	154.4	159.1	(4.7)
Aggregate net pension liability	121.0	107.3	13.7
Total Liabilities	285.8	278.8	(6.7)
Deferred Inflows of Resources	7.5	3.6	3.9
Net Position			
Invested in capital assets, net of related debt	81.5	73.9	7.6
Restricted	13.1	20.7	(7.6)
Unrestricted	(80.6)	(83.3)	2.7
Total Net Position	**$ 14.0**	**$ 11.3**	**$ 2.7**

The $14.0 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by $2.7 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

Table 2

(Amounts in millions)	School District Activities		
	2018	2017	Variance
Revenues			
Program revenues:			
Charges for services	$ 0.7	$ 0.8	$ (0.1)
Operating grants and contributions	23.9	24.3	(0.4)
General revenues:			
Federal and state aid not restricted	98.0	94.2	3.8
Property taxes	25.5	24.9	0.6
Other general revenues	7.6	6.5	1.1
Total Revenues	155.7	150.7	5.0
Expenses			
Instruction related	97.2	95.3	1.9
Pupil services	22.2	21.8	0.4
Administration	7.7	6.8	0.9
Plant services	15.7	14.9	0.8
Other	10.2	11.9	(1.7)
Total Expenses	153.0	150.7	2.3
Change in Net Position	**$ 2.7**	**$ -**	**$ 2.7**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $153.0 million as compared to $150.7 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $25.5 million because the cost was paid by those who benefited from the programs ($0.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($23.9 million). We paid for the remaining "public benefit" portion of our governmental activities with $105.6 million in Federal and State funds and other revenues, like interest, general entitlements, and charges for services.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, pupil services, plant services, administration, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Dollar amounts in millions)	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$ 97.2	$ 95.3	$ 80.1	$ 77.4
Pupil services	22.2	21.8	15.7	15.7
Administration	7.7	6.8	7.0	6.3
Plant services	15.7	14.9	15.5	14.7
Other	10.2	11.9	10.1	11.5
Total	**$ 153.0**	**$ 150.7**	**$ 128.4**	**$ 125.6**

The District's net cost of activities for the current year was $128.4 million as compared to $125.6 million in the prior year. A majority of the District's expenses were related to the education and support of its students (78.0 percent).

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of $45.6 million, while the prior year reported a balance of $48.3 million, which is a decrease of $2.7 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances	
	June 30, 2018	June 30, 2017
Major Governmental Funds		
General Fund	$ 27.2	$ 25.2
Bond Interest and Redemption Fund	9.2	14.9
Non-Major Governmental Funds	9.2	8.2
Total	**$ 45.6**	**$ 48.3**

The primary reasons for these changes are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $25.2 million to $27.2 million. Although expenditures and transfers out in the General Fund increased substantially over the prior year, an increase in State funding was the primary reason for the increase in the fund.
b. The Bond Interest and Redemption Fund decreased by $5.7 million as debt service payments exceeded property taxes collected for debt service.
c. Most of the District's Non-Major Funds showed little change from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 2018. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $211.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2017, the net capital assets totaled $210.5 million. This amount represents a net increase (including additions, deductions and depreciation) of approximately $1.0 million.

Table 5

(Amounts in millions)	Governmental Activities		
	2018	2017	Variance
Land	$ 13.3	$ 13.3	$ -
Construction in progress	15.2	34.6	(19.4)
Buildings and improvements	175.0	155.3	19.7
Equipment	8.0	7.3	0.7
Total	**$ 211.5**	**$ 210.5**	**$ 1.0**

This year's major additions included completion of two high school gyms. See Notes to Financial Statements for additional information on capital assets.

Long-Term Obligations

At the end of this year, the District had $154.4 million in long-term obligations outstanding versus $159.1 million as restated from last year, a decrease of $4.7 million. The decrease is primarily due to the annual principle payments on the Districts outstanding bonds.

Table 6

(Amounts in millions)	Governmental Activities		
	2018	2017, as Restated	Variance
General obligation bonds, net of premiums and discounts	$ 129.9	$ 136.3	$ (6.4)
Compensated absences	0.3	0.5	(0.2)
Other postemployment benefits (OPEB) liability	22.3	21.3	1.0
Public agency retirement system (PARS)	1.9	1.0	0.9
Total	**$ 154.4**	**$ 159.1**	**$ (4.7)**

The District's general obligation Moody's bond rating as of the most recent bond issuance was "Aa3". We present more detailed information regarding our long-term obligations in the Notes to the Financial Statements.

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2018, the District reported Deferred Outflows from pension activities of $35.6 million, Deferred Inflows from pension activities of $7.5 million, and a Net Pension Liability of $121.0 million. We present more detailed information regarding our net pension liability in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2018-2019 General Fund Revenue Budget Assumptions

- 3.0 percent Local Control Funding Formula (LCFF) cost of living adjustment (COLA)
- 2.71 percent COLA on state and local share
- LCFF GAP funding is 100 percent
- Projected funded 2018-2019 average daily attendance (ADA) is 9,959
- Projected lottery revenue is $146 per ADA for unrestricted lottery and $48 per ADA for restricted instructional materials

2018-2019 General Fund Expenditure Budget Assumptions

- 1.5 percent step and column increase
- Transfer Out of $3 million to Fund 43, Special Reserve for Capital Outlay for facility projects; $489,519 to Fund 12 Child Development; $800,000 to Fund 13 for operations; $525,000 to Fund 13 to bring up to standard; $200,000 to Fund 13 for equipment replacement; $83,880 to Fund 13 for increased food services per LCAP plan; $750,000 to Fund 14 for deferred maintenance; and $1,200,000 to Fund 15 Pupil Transportation for bus purchases
- Health Insurance cap of $10,801.50 for classified and certificated and management $10,161

Based upon the 2018-2019 budget the district will be able to meet its financial obligations for 2018-2019, for subsequent fiscal years 2019-2020 and 2020-2021, and maintain a reserve for uncertainties equal to ten percent of total expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact:

Scott Weimer
Assistant Superintendent/CBO, Business Services
Merced Union High School District
3430 A Street, Castle Airport
Atwater, California 95301

Telephone number: (209) 325-2030

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 52,352,328
Receivables	3,476,929
Stores inventories	219,470
Nondepreciable capital assets	28,515,803
Capital assets being depreciated	277,201,822
Accumulated depreciation	(94,206,856)
Total Assets	267,559,496
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	35,648,683
Deferred outflows of resources related to debt refundings	3,210,442
Deferred outflows of resources related to total other postemployment benefits (OPEB)	979,035
Total Deferred Outflows of Resources	39,838,160
LIABILITIES	
Accounts payable	7,454,636
Unearned revenue	3,002,868
Long-term obligations:	
Current portion of long-term obligations other than pensions	5,827,740
Noncurrent portion of long-term obligations other than pensions	148,618,637
Total Long-Term Obligations	154,446,377
Aggregate net pension liability	120,964,644
Total Liabilities	285,868,525
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	7,481,685
NET POSITION	
Invested in capital assets, net of related debt	81,521,310
Restricted for:	
Debt service	9,151,250
Capital projects	1,823,030
Educational programs	2,011,675
Other activities	194,058
Unrestricted	(80,653,877)
Total Net Position	$ 14,047,446

The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 78,631,190	$ 189,495	$ 14,378,370	$ (64,063,325)
Instruction-related activities:				
Supervision of instruction	4,568,658	393	1,102,205	(3,466,060)
Instructional library, media and technology	1,890,756	-	94,771	(1,795,985)
School site administration	12,076,285	20,636	1,229,588	(10,826,061)
Pupil services:				
Home-to-school transportation	4,134,546	4,379	771,004	(3,359,163)
Food services	5,688,891	423,569	3,955,756	(1,309,566)
All other pupil services	12,436,468	5,336	1,391,578	(11,039,554)
General administration:				
Data processing	1,732,186	-	-	(1,732,186)
All other general administration	5,942,061	20,811	677,416	(5,243,834)
Plant services	15,723,282	1,530	177,755	(15,543,997)
Ancillary services	2,775,765	-	77,493	(2,698,272)
Enterprise services	156,169		-	(156,169)
Interest on long-term obligations	4,491,138	-	-	(4,491,138)
Other outgo	2,773,629	510	31,720	(2,741,399)
Total Governmental-Type Activities	$ 153,021,024	$ 666,659	$ 23,887,656	(128,466,709)
	General revenues and subventions:			
	Property taxes, levied for general purposes			18,718,017
	Property taxes, levied for debt service			6,736,103
	Taxes levied for other specific purposes			86,844
	Federal and State aid not restricted to specific purposes			97,996,515
	Interest and investment earnings			564,198
	Transfers between agencies			107,551
	Miscellaneous			6,946,269
	Subtotal, General Revenues			131,155,497
	Change in Net Position			2,688,788
	Net Position - Beginning as Restated			11,358,658
	Net Position - Ending			$ 14,047,446

The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 38,481,451	$ 9,151,250	$ 4,719,627
Receivables	2,499,459	-	977,470
Due from other funds	842,945	-	5,861,795
Stores inventories	117,089	-	102,381
Total Assets	$ 41,940,944	$ 9,151,250	$ 11,661,273
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 5,868,363	$ -	$ 1,586,273
Due to other funds	5,861,753	-	842,987
Unearned revenue	3,002,868	-	-
Total Liabilities	14,732,984	-	2,429,260
FUND BALANCES			
Nonspendable	137,089	-	103,614
Restricted	1,675,985	9,151,250	2,249,164
Committed	1,275,920	-	1,294,756
Assigned	10,239,475	-	5,584,479
Unassigned	13,879,491	-	-
Total Fund Balances	27,207,960	9,151,250	9,232,013
Total Liabilities and Fund Balances	$ 41,940,944	$ 9,151,250	$ 11,661,273

The accompanying notes are an integral part of these financial statements.

Total Governmental Funds
$ 52,352,328
3,476,929
6,704,740
219,470
$ 62,753,467
$ 7,454,636
6,704,740
3,002,868
17,162,244
240,703
13,076,399
2,570,676
15,823,954
13,879,491
45,591,223
$ 62,753,467

MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 45,591,223**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 305,717,625	
Accumulated depreciation is	(94,206,856)	
Total capital assets		211,510,769
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		3,210,442
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	10,532,192	
Net change in proportionate share of net pension liability	1,331,336	
Difference between projected and actual earnings on pension plan investments	1,165,930	
Differences between expected and actual experience in the measurement of the total pension liability.	1,530,174	
Changes of assumptions	21,089,051	
Total Deferred Outflows of Resources Related to Pensions		35,648,683
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(3,238,904)	
Difference between projected and actual earnings on pension plan investments	(2,323,992)	
Differences between expected and actual experience in the measurement of the total pension liability.	(1,521,965)	
Changes of assumptions	(396,824)	
Total Deferred Inflows of Resources Related to Pensions		(7,481,685)

The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2018

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		$ 979,035
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(120,964,644)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds	$ 126,320,193	
Bond premiums	3,901,458	
Bond discounts	(232,192)	
Compensated absences	336,973	
Other postemployment benefits (OPEB)	22,280,909	
Public agency retirement system	1,839,036	
Total long-term obligations		(154,446,377)
Total Net Position - Governmental Activities		**$ 14,047,446**

The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Bond Interest and Redemption Fund
REVENUES		
Local Control Funding Formula	$ 112,253,584	$ -
Federal sources	8,616,390	1,492,213
Other state sources	13,272,696	-
Other local sources	2,397,154	6,822,866
Total Revenues	136,539,824	8,315,079
EXPENDITURES		
Current		
Instruction	68,106,384	-
Instruction-related activities:		
Supervision of instruction	4,292,508	-
Instructional library, media and technology	1,724,968	-
School site administration	10,702,671	-
Pupil Services:		
Home-to-school transportation	4,810,482	-
Food services	64,135	-
All other pupil services	11,766,256	-
General administration:		
Data processing	1,653,549	-
All other general administration	5,406,338	-
Plant services	12,269,105	-
Ancillary services	2,686,827	-
Other outgo	2,773,629	-
Enterprise services	156,169	-
Facility acquisition and construction	2,431,668	-
Debt service		
Principal	-	30,810,000
Interest and other	-	3,228,566
Total Expenditures	128,844,689	34,038,566
Excess (Deficiency) of Revenues Over Expenditures	7,695,135	(25,723,487)
Other Financing Sources (Uses):		
Transfers in	71,000	-
Other sources	-	19,968,944
Transfers out	(5,730,703)	-
Net Financing Sources (Uses)	(5,659,703)	19,968,944
NET CHANGE IN FUND BALANCES	2,035,432	(5,754,543)
Fund Balance - Beginning	25,172,528	14,905,793
Fund Balance - Ending	$ 27,207,960	$ 9,151,250

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
$ 374,034	$ 112,627,618
4,021,860	14,130,463
389,990	13,662,686
5,070,722	14,290,742
9,856,606	154,711,509
2,135,761	70,242,145
-	4,292,508
-	1,724,968
766,144	11,468,815
-	4,810,482
5,433,193	5,497,328
103,721	11,869,977
-	1,653,549
388,153	5,794,491
324,400	12,593,505
-	2,686,827
-	2,773,629
-	156,169
5,318,664	7,750,332
-	30,810,000
-	3,228,566
14,470,036	177,353,291
(4,613,430)	(22,641,782)
5,730,703	5,801,703
-	19,968,944
(71,000)	(5,801,703)
5,659,703	19,968,944
1,046,273	(2,672,838)
8,185,740	48,264,061
$ 9,232,013	$ 45,591,223

MERCED UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (2,672,838)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 9,387,355	
Depreciation expense	(8,376,167)	1,011,188
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(4,562)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and early retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the early retirement granted was more than obligations paid by $861,150. Vacation used or paid was more than the amounts earned by $173,357.		(687,793)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(4,555,774)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		20,083
Proceeds received from the sale of bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(16,380,000)

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance	$ (3,588,944)
Premium amortization	11,161
Discount amortization	(7,036)
Deferred amount on refunding	3,210,442
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	30,810,000
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.	(4,477,139)
Change in Net Position of Governmental Activities	**$ 2,688,788**

The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Private-Purpose Trusts	Agency		
	Scholarships	Deferred Compensation	Student Body	Total
ASSETS				
Deposits and investments	$ 1,584,077	$ 1,114,610	$ 1,214,200	$ 3,912,887
LIABILITIES				
Due to student groups and employees	$ -	$ 1,114,610	$ 1,214,200	$ 2,328,810
NET POSITION				
Reserved for scholarships	$ 1,584,077	$ -	$ -	$ 1,584,077

The accompanying notes are an integral part of these financial statements.

MERCED UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Private-Purpose Trusts Scholarships
ADDITIONS	
Trust income	$ 613,117
Contributions	17,909
Interest	3,286
Total Additions	634,312
DEDUCTIONS	
Scholarships awarded	547,667
Miscellaneous	90
Total Deductions	547,757
Change in Net Position	86,555
Net Position - Beginning	1,497,522
Net Position - Ending	$ 1,584,077

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Merced Union High School District (the District) was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District is currently operating schools in the cities of Atwater, Livingston, and Merced. The City of Merced has four campuses. Merced High School, Golden Valley High School, and El Capitan High School have classes at the ninth through twelfth grade levels. East Campus Educational Center (ECEC) supports five educational programs: Yosemite High School which serves as the District's continuation school; Sequoia High School which serves as the District's community day school, Independence High School which provides independent study opportunities; classes for students from Merced and Golden Valley High School; and the main facility for the Adult School Program is located at ECEC. The City of Atwater has two campuses. Atwater High School and Buhach Colony High School have classes at the ninth through twelfth grade levels. The City of Livingston has one campus. Livingston High School has classes at the ninth through twelfth grade levels.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Merced Union High School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manuel (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets of $10,967,730.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for restricted or committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are scholarship accounts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body (ASB) and deferred compensation accounts.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 for equipment and $15,000 for land, buildings and land improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method.

In governmental fund financial statements, debt premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items, debt refundings, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $13,180,013 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Merced bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;

- Reporting amounts previously reported as goodwill and "negative" goodwill;

- Classifying real estate held by insurance entities;

- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89*, Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 52,352,328
Fiduciary funds	3,912,887
Total Deposits and Investments	$ 56,265,215

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 1,267,047
Cash in revolving	21,232
Investments	54,976,936
Total Deposits and Investments	$ 56,265,215

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk and credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Funds	$ 1,889,666	$ 1,889,666	$ -	$ -	$ -
Certificates of Deposit	756,574	756,574	-	-	-
County Pool	51,661,889	-	51,661,889	-	-
Total	$ 54,308,129	$ 2,646,240	$ 51,661,889	$ -	$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, $856,557 of the District's bank balances were exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Mutual Funds and Certificates of Deposit of $2,646,240, the District has a custodial credit risk exposure of $2,146,240, because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Merced County Treasury Investment Pool, Mutual Funds, and Certificates of Deposit are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 754,342	$ 593,097	$ 1,347,439
State Government			
State grants and apportionments	1,346,844	189,343	1,536,187
Local Sources	398,273	195,030	593,303
Total	$ 2,499,459	$ 977,470	$ 3,476,929

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 13,296,486	$ -	$ -	$ 13,296,486
Construction in progress	34,581,538	1,530,325	20,892,546	15,219,317
Total Capital Assets Not Being Depreciated	47,878,024	1,530,325	20,892,546	28,515,803
Capital Assets being depreciated				
Land improvements	21,725,498	794,050	-	22,519,548
Buildings and improvements	206,567,387	26,012,186	-	232,579,573
Furniture and equipment	20,224,829	1,943,340	65,468	22,102,701
Total Capital Assets Being Depreciated	248,517,714	28,749,576	65,468	277,201,822
Less Accumulated Depreciation				
Land improvements	13,935,477	639,378	-	14,574,855
Buildings and improvements	59,025,977	6,512,884	-	65,538,861
Furniture and equipment	12,930,141	1,223,905	60,906	14,093,140
Total Accumulated Depreciation	85,891,595	8,376,167	60,906	94,206,856
Governmental Activities Capital Assets, Net	$ 210,504,143	$ 21,903,734	$ 20,897,108	$ 211,510,769

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 4,931,797
Instructional library, media, and technology	87,821
School site administration	59,972
Home-to-school transportation	167,940
Food services	81,150
All other pupil services	6,603
Data processing	76,327
All other general administration	16,644
Plant services	2,947,913
Total Depreciation Expenses, Governmental Activities	$ 8,376,167

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 842,945	$ 5,861,753
Non-Major Governmental Funds		
Adult Education	4,402	118,133
Child Development	-	21,399
Cafeteria	53,125	703,413
Deferred Maintenance	750,000	-
Building	-	42
Capital Facilities	740,664	-
County School Facilities	317,176	-
Special Reserve Capital Outlay	3,996,428	-
Total Non-Major Governmental Funds	5,861,795	842,987
Total All Governmental Funds	$ 6,704,740	$ 6,704,740

The General Fund owes the Cafeteria Non-Major Governmental Fund for unpaid 2017-2018 student lunches.	$	8,621
The General Fund owes the Cafeteria Non-Major Governmental Fund for a payroll repayment adjustment and indirect cost adjustment.		786
The General Fund owes the Cafeteria Non-Major Governmental Fund for LCAP services contribution.		43,718
The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for maintenance and operations costs.		750,000
The General Fund owes the Adult Education Non-Major Governmental Fund for a payroll repayment adjustment.		1,318
The General Fund owes the Adult Education Non-Major Governmental Fund for indirect costs.		3,084
The General Fund owes the Capital Facilities Non-Major Governmental Fund for LCAP capital project costs.		740,622
The General Fund owes the County School Facilities Non-Major Governmental Fund for LCAP capital project costs.		317,176
The General Fund owes the Special Reserve Capital Outlay Non-Major Governmental Fund for LCAP facilities project contribution and capital project costs.		3,996,428
The Adult Education Non-Major Governmental Fund owes the General Fund for retiree health cost contributions.		1,497
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.		116,636
The Child Development Non-Major Governmental Fund owes the General Fund for retiree health cost contributions.		123
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs.		21,276
The Cafeteria Non-Major Governmental Fund owes the General Fund for retiree health cost distributions.		845
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.		252,568
The Cafeteria Non-Major Governmental Fund owes the General Fund to repay a loan.		450,000
The Building Non-Major Governmental Fund owes the Capital Facilities Non-Major Governmental Fund to clear remaining fund balance.		42
Total	$	6,704,740

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2018, consist of the following:

The General Fund transferred to the Adult Education Non-Major Governmental Fund for cash flow purposes.	$ 71,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to supplement fund operations and for LCAP technological contributions.	1,248,184
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future repair and maintenance projects.	922,000
The General Fund transferred to the Child Development Non-Major Governmental Fund to supplement fund operations.	489,519
The General Fund transferred to the Special Reserve Capital Outlay Non-Major Governmental Fund for future capital outlay.	3,000,000
The Adult Education Non-Major Governmental Fund transferred to the General Fund to repay a loan.	71,000
Total	$ 5,801,703

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consist of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 2,608,217	$ 1,462,523	$ 4,070,740
Salaries and benefits payable	568,805	123,750	692,555
State apportionment	888,061	-	888,061
Deferred payroll	1,803,280	-	1,803,280
Total	$ 5,868,363	$ 1,586,273	$ 7,454,636

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund
Federal financial assistance	$ 389,974
State categorical aid	2,612,894
Total	$ 3,002,868

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2017, as Restated	Additions and Accretion	Deductions	Balance June 30, 2018	Due in One Year
1999 Capital Appreciation Bonds, Series A	$ 15,558,223	$ 777,686	$ 2,185,000	$ 14,150,909	$ 2,235,000
2009 Current Interest Bonds, Series A	20,445,000	-	18,970,000	1,475,000	675,000
2009 Capital Appreciation Bonds, Series A	2,865,246	257,486	-	3,122,732	-
2011 Current Interest Bonds, Series B-1	25,000,000	-	9,655,000	15,345,000	1,805,000
2011 Capital Appreciation Bonds, Series B	959,364	115,338	-	1,074,702	-
2011 Capital Appreciation Bonds, Series C	20,112,314	1,326,746	-	21,439,060	85,000
2015 Capital Appreciation Refunding Bonds	33,198,170	1,770,244	-	34,968,414	-
2008 Current Interest Bonds, Series D	12,945,000	-	-	12,945,000	-
2008 Capital Appreciation Bonds, Series D	5,189,737	229,639	-	5,419,376	30,000
2017 Current Interest Refunding Bonds	-	16,380,000	-	16,380,000	375,000
Bond Premium	323,675	3,588,944	11,161	3,901,458	-
Bond Discount	(239,228)	-	(7,036)	(232,192)	-
Compensated absences - net	510,330	-	173,357	336,973	-
Public Agency Retirement System	977,886	1,483,890	622,740	1,839,036	622,740
Other postemployment benefits, including Medicare Premium Payment Program	21,321,957	1,058,216	99,264	22,280,909	-
Total	$ 159,167,674	$ 26,988,189	$ 31,709,486	$ 154,446,377	$ 5,827,740

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from the assessment on property owners in the applicable boundaries. The compensated absences liability and Other Postemployment Benefits are paid by the fund that the employee worked. The Public Agency Retirement System obligations are paid for by the General Fund.

MERCED UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issue	Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2017	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2018
Capital Appreciation								
Series A	8/1/99	8/1/24	5.4-5.75	$ 9,221,061	$ 15,558,223	$ 777,686	$ 2,185,000	$ 14,150,909
Current Interest								
Series A	4/17/09	8/1/19	2.0-5.0	23,560,000	20,445,000	-	18,970,000	1,475,000
Capital Appreciation								
Series A	4/17/09	8/1/34	5.4-5.75	1,439,944	2,865,246	257,486	-	3,122,732
Current Interest								
Series B-1	2/16/11	8/1/25	5.379-6.716	25,000,000	25,000,000	-	9,655,000	15,345,000
Capital Appreciation								
Series B-1	2/16/11	8/1/27	7.05-7.15	462,545	959,364	115,338	-	1,074,702
Capital Appreciation								
Series C	11/9/11	8/1/37	3.80-6.72	30,489,821	20,112,314	1,326,746	-	21,439,060
Capital Appreciation								
2015	5/27/15	8/1/51	3.80-7.42	29,749,417	33,198,170	1,770,244	-	34,968,414
Current Interest								
Series D	9/24/15	8/1/45	2.00-5.00	13,000,000	12,945,000	-	-	12,945,000
Capital Appreciation								
Series D	9/24/15	8/1/40	1.63-4.84	4,799,586	5,189,737	229,639	-	5,419,376
Current Interest								
2017	12/6/17	8/1/29	5.0	16,380,000	-	16,380,000	-	16,380,000
	Total			$ 154,102,374	$ 136,273,054	$ 20,857,139	$ 30,810,000	$ 126,320,193

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of $24,631,061, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from ad valorem property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 1999, and is payable semiannually commencing February 1, 2000. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000.

The Merced Union High School District 2008 General Obligation Bonds, Series A, in the aggregate principal amount of $24,999,994, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 2009, and is payable semiannually commencing February 1, 2010. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2009 with the exception of the Capital Accretion Bonds which mature May 1, 2034 which compound semiannually on May 1 and November 1 of each year, commencing November 1, 2009.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of $462,565 (the "Series B Bonds") and the Merced Union High School District Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds - Direct Payment to District) (Federally Taxable) in the aggregate principal amount of $25,000,000 (the "Series B-1 Bonds," together with the Series B Bonds, the "Bonds," were authorized at an election of the registered voters of the District held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $149,450,000 principal amount of general obligation bonds. Interest with respect to the Current Interest Bonds accrues from the date of initial delivery thereof and is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2011. The Current Interest Bonds are issuable as fully registered Bonds in denomination of $5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of initial delivery thereof and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof, except for one odd denomination if necessary.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of $30,489,821 (the "Bonds") were authorized at an election of the registered voters of the Merced Union High School District (the "District") held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $149,450,000 principal amount of general obligation bonds. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). The Bonds will be issued as capital appreciation bonds, such that the Bonds will not bear interest on a current basis, but will instead accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof. A bond discount in the amount of $274,408 will be capitalized and amortized over the life of the bonds.

The Merced Union High School District 2015 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series C and pay the costs of issuance of the Bonds. The Bonds will be issued as capital appreciation bonds. The Bonds will accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2015. The Bonds are issuable in denominations of $5,000 Maturity Value, or any integral multiple thereof.

On September 24, 2015, the District issued Election of 2008, Series D General Obligation Bonds, in the amount of $17,799,586 to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The Bonds, were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2016. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The bonds were issued at a premium in the amount of $345,997 which will be amortized over the life of the bonds.

The Merced Union High School District 2017 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series A and pay the costs of issuance of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2018. The Bonds are issuable in denominations of $5,000 Maturity Value, or any integral multiple thereof.

Debt Service Requirements to Maturity

1999 Capital Appreciation, Series A - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2019	$ 2,235,000	$ -	$ 2,235,000
2020	2,159,325	125,675	2,285,000
2021	2,090,088	249,912	2,340,000
2022	2,016,204	373,796	2,390,000
2023	1,949,154	495,846	2,445,000
2024-2025	3,701,138	1,353,862	5,055,000
Total	$ 14,150,909	$ 2,599,091	$ 16,750,000

2009 Current Interest, Series A - Payment Summary:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 675,000	$ 45,500	$ 720,500
2020	800,000	16,000	816,000
Total	$ 1,475,000	$ 61,500	$ 1,536,500

2009 Capital Appreciation, Series A - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2031	$ 1,497,648	$ 1,782,352	$ 3,280,000
2032	977,184	2,532,816	3,510,000
2035	647,900	3,532,100	4,180,000
Total	$ 3,122,732	$ 7,847,268	$ 10,970,000

2011 Current Interest, Series B-1 - Payment Summary:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 1,805,000	$ 972,870	$ 2,777,870
2020	1,670,000	873,071	2,543,071
2021	1,735,000	775,944	2,510,944
2022	1,820,000	671,567	2,491,567
2023	1,915,000	558,435	2,473,435
2024-2026	6,400,000	874,759	7,274,759
Total	$ 15,345,000	$ 4,726,646	$ 20,071,646

2011 Capital Appreciation, Series B - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2027	$ 554,976	$ 855,024	$ 1,410,000
2028	519,726	890,274	1,410,000
Total	$ 1,074,702	$ 1,745,298	$ 2,820,000

2011 Capital Appreciation, Series C - Accretion Summary:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2019	$ 85,000	$ -	$ 85,000
2020	76,816	3,184	80,000
2021	82,332	7,668	90,000
2022	82,517	12,483	95,000
2023	82,080	17,920	100,000
2024-2028	1,513,362	936,638	2,450,000
2029-2033	8,155,261	9,739,739	17,895,000
2034-2038	11,361,692	23,713,308	35,075,000
Total	$ 21,439,060	$ 34,430,940	$ 55,870,000

2015 General Obligation Refunding Bond:

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2039-2043	$ 13,206,203	$ 27,388,797	$ 40,595,000
2044-2048	12,522,046	38,682,954	51,205,000
2049-2052	9,240,165	41,189,835	50,430,000
Total	$ 34,968,414	$ 107,261,586	$ 142,230,000

2008 Current Interest, Series D - Payment Summary

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 547,800	$ 547,800
2020	-	547,800	547,800
2021	-	547,800	547,800
2022	-	547,800	547,800
2023	-	547,800	547,800
2024-2028	-	2,739,000	2,739,000
2029-2033	-	2,739,000	2,739,000
2034-2038	-	2,739,000	2,739,000
2039-2043	5,455,000	2,485,400	7,940,400
2044-2046	7,490,000	360,600	7,850,600
Total	$ 12,945,000	$ 13,802,000	$ 26,747,000

2008 Capital Appreciation, Series D - Accretion Summary

Maturity	Accreted Obligation	Unaccreted Interest	Final Maturity
2019	$ 30,000	$ -	$ 30,000
2020	53,911	1,089	55,000
2021	66,934	3,066	70,000
2022	83,538	6,462	90,000
2023	98,450	11,550	110,000
2024-2028	727,759	207,241	935,000
2029-2033	862,411	587,589	1,450,000
2034-2038	947,121	1,137,879	2,085,000
2039-2041	2,549,252	4,385,748	6,935,000
Total	$ 5,419,376	$ 6,340,624	$ 11,760,000

2017 General Obligation Refunding Bond

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 375,000	$ 534,625	$ 909,625
2020	-	800,250	800,250
2021	810,000	800,250	1,610,250
2022	950,000	759,750	1,709,750
2023	1,095,000	712,250	1,807,250
2024-2028	8,240,000	2,565,000	10,805,000
2029-2030	4,910,000	375,000	5,285,000
Total	$ 16,380,000	$ 6,547,125	$ 22,927,125

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2018, amounted to $336,973.

Early Retirement

The District has obligations to the Public Agency Retirement System totaling $1,839,036 for early retirement incentives granted to terminated employees. Payments will be made as follows:

Year Ending June 30,	PARS Payment
2019	$ 622,740
2020	622,740
2021	296,778
2022	296,778
Total	$ 1,839,036

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 21,562,235	$ 979,035	$ 79,181
Medicare Premium Payment (MPP) Program	718,674	-	(99,264)
Total	$ 22,280,909	$ 979,035	$ (20,083)

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	75
Active employees	985
Total	1,060

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Merced Union High School District Teachers Association (MUHSDTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, MUHSDTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid $979,035 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $21,562,235 was measured as of June 30, 2017, by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	3.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4 percent for 2017 and thereafter

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 20,504,019
Service cost	1,176,212
Interest	722,942
Benefit payments	(840,938)
Net change in total OPEB liability	1,058,216
Balance at June 30, 2017	$ 21,562,235

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 23,236,786
Current discount rate (3.5%)	21,562,235
1% increase (4.5%)	20,006,165

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3%)	$ 20,294,003
Current healthcare cost trend rate (4%)	21,562,235
1% increase (5%)	22,641,936

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $79,181. At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of $979,035.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.j

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of $718,674 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1708 percent, and 0.1748 percent, resulting in a net decrease in the proportionate share of 0.0040 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(99,264).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 795,622
Current discount rate (3.58%)	718,674
1% increase (4.58%)	643,826

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 649,432
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	718,674
1% increase (4.7% Part A and 5.1% Part B)	787,225

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 20,000	$ -	$ 1,233	$ 21,233
Stores inventories	117,089	-	102,381	219,470
Total Nonspendable	137,089	-	103,614	240,703
Restricted				
Educational programs	1,675,985	-	335,690	2,011,675
Food service	-	-	90,444	90,444
Capital projects	-	-	1,823,030	1,823,030
Debt service	-	9,151,250	-	9,151,250
Total Restricted	1,675,985	9,151,250	2,249,164	13,076,399
Committed				
Pupil Transportation	1,275,920	-	-	1,275,920
Adult education programs	-	-	429,709	429,709
Deferred maintenance projects	-	-	865,047	865,047
Total Committed	1,275,920	-	1,294,756	2,570,676
Assigned				
Retiree benefits	1,728,051	-	-	1,728,051
LCAP special capital projects	859,843	-	-	859,843
LCAP CTE planning	697,663	-	-	697,663
CTE projects	3,243,075	-	-	3,243,075
Retiree self-pay	324,928	-	-	324,928
Projects from one time State funding	3,324,095	-	-	3,324,095
E-rate	61,820	-	-	61,820
Capital projects	-	-	5,584,479	5,584,479
Total Assigned	10,239,475	-	5,584,479	15,823,954
Unassigned				
Reserve for economic uncertainties	13,879,491	-	-	13,879,491
Total	$ 27,207,960	$ 9,151,250	$ 9,232,013	$ 45,591,223

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Self Insured Schools of California for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Merced County Schools Insurance Group, an insurance purchasing pool. The intent of the Merced County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Merced County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Merced County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Merced County Schools Insurance Group. Participation in the Merced County Schools Insurance Group is limited to districts that can meet the Merced County Schools Insurance Group selection criteria.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California Health and Welfare Program to provide employee health benefits. Self Insured Schools of California Health and Welfare Program is a shared risk pool comprised of agencies within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 87,260,594	$ 25,084,716	$ 7,084,861	$ 8,745,287
CalPERS	33,704,050	10,563,967	396,824	6,342,679
Total	$ 120,964,644	$ 35,648,683	$ 7,481,685	$ 15,087,966

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $7,699,242.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 87,260,594
State's proportionate share of the net pension liability associated with the District	51,622,631
Total	$ 138,883,225

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0944 percent and 0.0983 percent, resulting in a net decrease in the proportionate share of 0.0039 percent.

For the year ended June 30, 2018, the District recognized pension expense of $8,745,287. In addition, the District recognized pension expense and revenue of $5,196,313 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,699,242	$ -
Net change in proportionate share of net pension liability	896,732	3,238,904
Difference between projected and actual earnings on pension plan investments	-	2,323,992
Differences between expected and actual experience in the measurement of the total pension liability	322,698	1,521,965
Changes of assumptions	16,166,044	-
Total	$ 25,084,716	$ 7,084,861

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	$ (1,932,021)
2020	1,461,971
2021	210,807
2022	(2,064,749)
Total	$ (2,323,992)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2019	$	2,070,164
2020		2,070,164
2021		2,070,164
2022		2,070,165
2023		2,022,903
Thereafter		2,321,045
Total	$	12,624,605

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 128,126,256
Current discount rate (7.10%)	87,260,594
1% increase (8.10%)	54,095,341

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,832,950.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $33,704,050. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1412 percent and 0.1407 percent, resulting in a net increase in the proportionate share of 0.0005 percent.

For the year ended June 30, 2018, the District recognized pension expense of $6,342,679. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,832,950	$ -
Net change in proportionate share of net pension liability	434,604	-
Difference between projected and actual earnings on pension plan investments	1,165,930	-
Differences between expected and actual experience in the measurement of the total pension liability	1,207,476	-
Changes of assumptions	4,923,007	396,824
Total	$ 10,563,967	$ 396,824

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ (31,593)
2020	1,345,230
2021	490,755
2022	(638,462)
Total	$ 1,165,930

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,242,625
2020	2,204,315
2021	1,721,323
Total	$ 6,168,263

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 49,589,459
Current discount rate (7.15%)	33,704,050
1% increase (8.15%)	20,525,774

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,198,010 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Atwater High School shop roofing project	$ 55,180	July 2018
California Clean Energy Job Act project	618,220	January 2019
Livingston High School shop	71,604	October 2018
Livingston High School bleachers	1,473,054	June 2019
Atwater High School shop	103,320	October 2018
Golden Valley High School amphitheater	59,500	June 2019
Sequoia High School canopy	170,042	August 2018
Merced High School 300 wing restroom	342,131	December 2018
Livingston High School pool restroom	254,401	May 2019
Merced High School sewer replacement	907,500	June 2019
Merced High School football concession	226,316	June 2019
Golden Valley High School softball field	319,095	May 2019
Total	$ 4,600,363	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self-Insured Schools of California (SISC III), the Self-Insured Schools of California (SISC II), and the Merced County Schools Insurance Group (MCSIG) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2018, the District made payment of $9,916,998 to SISC III for medical, dental and vision insurance.

The District has no appointed members to the governing board of SISC II.

During the year ended June 30, 2018, the District made payment of $732,102 to SISC II for property and liability insurance.

The District has appointed two members to the governing board of MCSIG.

During the year ended June 30, 2018, the District made payment of $1,873,092 to MCSIG for workers' compensation insurance.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 29,032,724
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(17,674,066)
Net Position - Beginning as Restated	$ 11,358,658

REQUIRED SUPPLEMENTARY INFORMATION

MERCED UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 109,582,845	$ 112,000,814	$ 112,253,584	$ 252,770
Federal sources	7,556,815	8,882,655	8,616,390	(266,265)
Other state sources	11,057,662	13,435,491	13,272,696	(162,795)
Other local sources	1,504,235	1,724,799	2,397,154	672,355
Total Revenues [1]	129,701,557	136,043,759	136,539,824	496,065
EXPENDITURES				
Current				
Certificated Salaries	53,173,547	53,776,837	53,714,072	62,765
Classified salaries	18,194,360	18,051,265	18,091,079	(39,814)
Employee benefits	28,689,546	29,149,325	28,918,196	231,129
Books and supplies	6,805,941	7,598,874	6,261,137	1,337,737
Services and operating expenditures	16,661,326	18,593,951	16,394,804	2,199,147
Other outgo	1,736,429	2,323,402	2,386,893	(63,491)
Capital outlay	317,659	1,543,852	3,078,508	(1,534,656)
Total Expenditures [1]	125,578,808	131,037,506	128,844,689	2,192,817
Excess (Deficiency) of Revenues Over Expenditures	4,122,749	5,006,253	7,695,135	2,688,882
Other Financing Sources (Uses):				
Transfers in	285,000	1,417,600	71,000	(1,346,600)
Transfers out	(7,631,219)	(11,706,373)	(5,730,703)	5,975,670
Net Financing Sources (Uses)	(7,346,219)	(10,288,773)	(5,659,703)	4,629,070
NET CHANGE IN FUND BALANCES	(3,223,470)	(5,282,520)	2,035,432	7,317,952
Fund Balance - Beginning	25,172,528	25,172,528	25,172,528	-
Fund Balance - Ending	$ 21,949,058	$ 19,890,008	$ 27,207,960	$ 7,317,952

[1] Due to the consolidation of Fund 15, Pupil Transportation Fund, Fund 17, Special Reserve Non-Capital Fund, and Fund 20, Special Reserve Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 1,176,212
Interest	722,942
Benefit payments	(840,938)
Net change in total OPEB liability	1,058,216
Total OPEB liability - beginning	20,504,019
Total OPEB liability - ending	$ 21,562,235
Covered payroll	N/A [1]
District's total OPEB liability as a percentage of covered payroll	N/A [1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.1708%
District's proportionate share of the net OPEB liability	$ 718,674
District's covered-employee payroll	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0944%	0.0983%
District's proportionate share of the net pension liability	$ 87,260,594	$ 79,480,214
State's proportionate share of the net pension liability associated with the District	51,622,631	45,246,668
Total	$ 138,883,225	$ 124,726,882
District's covered - employee payroll	$ 52,277,591	$ 50,087,838
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	166.92%	158.68%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1412%	0.1407%
District's proportionate share of the net pension liability	$ 33,704,050	$ 27,786,182
District's covered - employee payroll	$ 17,974,316	$ 16,865,300
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	187.51%	164.75%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
0.0995%	0.0974%
$ 67,020,319	$ 56,914,202
35,446,361	34,367,253
$ 102,466,680	$ 91,281,455
$ 45,747,275	$ 43,806,339
146.50%	129.92%
74%	77%
0.1361%	0.1352%
$ 20,064,360	$ 15,344,640
$ 14,889,330	$ 14,183,840
134.76%	108.18%
79%	83%

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 7,699,242	$ 6,576,521
Contributions in relation to the contractually required contribution	7,699,242	6,576,521
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 53,355,800	$ 52,277,591
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 2,832,950	$ 2,496,273
Contributions in relation to the contractually required contribution	2,832,950	2,496,273
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 18,240,616	$ 17,974,316
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
$ 5,374,425	$ 4,062,358
5,374,425	4,062,358
$ -	$ -
$ 50,087,838	$ 45,747,275
10.73%	8.88%
$ 1,998,032	$ 1,752,623
1,998,032	1,752,623
$ -	$ -
$ 16,865,300	$ 14,889,330
11.847%	11.771%

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions **-** The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Adult Education - Basic	84.002A	14508	$ 126,059
Adult Education - Secondary Education	84.002	13978	59,847
Adult Education - English Literacy	84.002A	14109	51,390
Title I - Part A, Basic	84.010	14329	3,904,099
Title I - Part G, Advanced Placement Fee Assistance	84.330B	14831	12,884
Title II - Part A, Supporting Effective Instruction	84.367	14341	356,754
Title II - Part A, Administrator Training	84.367	14344	5,854
Title III - English Language Acquisition - IEP	84.365	15146	21,787
Title III - English Language Acquisition - LEP	84.365	14346	88,455
Title IV - Part B, 21st Century Community Learning	84.287	14349	1,724,587
Title X - McKinney-Vento Homeless	84.196	14332	77,663
Career and Technical Education, Section 112	84.048	14894	413,925
Special Education, Basic Local Assistance	84.027	13379	1,439,164
Special Education, Mental Health Services	84.027A	14468	71,441
Total U.S. Department of Education			8,353,909
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster:			
Child Nutrition School Programs-Lunch	10.555	13391	2,469,049
Child Nutrition School Programs-Needy Breakfast	10.553	13526	882,201
Child Nutrition School Programs-Basic Breakfast	10.553	13525	4,707
Child Nutrition School Programs-Meal Supplements	10.555	13391	53,824
Child Nutrition School Programs-Summer Program	10.559	13004	93,980
Food Distribution - Commodities	10.555	13391	267,663
Subtotal, Child Nutrition Cluster			3,771,424
Child Nutrition School Programs-Family Day Care	10.558	13665	13,140
Total U.S. Department of Agriculture			3,784,564
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Activities (Medicaid)	93.778	10060	417,874
Medi-Cal Billing Option (Medicaid)	93.778	10013	81,903
Total U.S. Department of Health and Human Services			499,777
Total Federal Financial Assistance			$ 12,638,250

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates six high schools, one continuation school, one community day school, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dave Honey	President	2018
John Medearis	Vice President	2020
Julio Valadez	Clerk	2020
Richard Lopez	Member	2018
Greg Opinski	Member	2018

ADMINISTRATION

Alan Peterson	Superintendent
Scott Weimer	Assistant Superintendent/CBO
Yvonne Eagle	Director of Fiscal Services

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	9,872.68	9,781.15
Extended Year Special Education		
Ninth through twelfth	2.97	2.97
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	3.25	3.21
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.15	0.15
Community Day School		
Ninth through twelfth	96.64	99.13
Total ADA	9,975.69	9,886.61

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 9 - 12					
Grade 9	64,800	64,816	180	N/A	Complied
Grade 10	64,800	64,816	180	N/A	Complied
Grade 11	64,800	64,816	180	N/A	Complied
Grade 12	64,800	64,816	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016 [3]
GENERAL FUND				
Revenues	$142,411,906	$136,391,076	$131,785,451	$121,316,602
Other sources and transfers in	-	776,000	2,051,092	4,468,373
Total Revenues and Other Sources [4]	142,411,906	137,167,076	133,836,543	125,784,975
Expenditures	134,978,274	127,836,314	126,321,924	112,669,728
Other uses and transfers out	7,048,399	10,958,579	6,700,263	8,277,473
Total Expenditures and Other Uses [4]	142,026,673	138,794,893	133,022,187	120,947,201
INCREASE/(DECREASE) IN FUND BALANCE	$ 385,233	$ (1,627,817)	$ 814,356	$ 4,837,774
ENDING FUND BALANCE	$ 13,302,587	$ 12,917,354	$ 14,545,171	$ 13,730,815
AVAILABLE RESERVES [2]	$ 14,202,667	$ 13,879,491	$ 13,302,219	$ 11,549,123
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.00%	10.00%	10.00%	9.55%
LONG-TERM OBLIGATIONS [5]	Not Available	$154,446,377	$159,167,674	$139,693,211
AVERAGE DAILY ATTENDANCE AT P-2	9,976	9,976	9,828	9,636

The General Fund balance has decreased by $813,461 over the past two years. The fiscal year 2018-2019 budget projects an increase of $385,233 (2.98 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $14,753,166 over the past two years primarily due to the implementation of GASB Statement No. 75.

Average daily attendance has increased by 340 over the past two years. No change in ADA is anticipated during fiscal year 2018-2019.

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1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all amounts reserved for economic uncertainties contained with the General Fund.

3 On behalf payments have been excluded from this schedule for fiscal year 2016.

4 General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund, the Special Reserve Non-Capital Outlay Fund and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

5 The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

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MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 530,253	$ 117,962	$ 233,575
Receivables	405,953	1,418	554,003
Due from other funds	4,402	-	53,125
Stores inventories	-	-	102,381
Total Assets	$ 940,608	$ 119,380	$ 943,084
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 154,011	$ 1,046	$ 45,613
Due to other funds	118,133	21,399	703,413
Total Liabilities	272,144	22,445	749,026
Fund Balances:			
Nonspendable	-	-	103,614
Restricted	238,755	96,935	90,444
Committed	429,709	-	-
Assigned	-	-	-
Total Fund Balances	668,464	96,935	194,058
Total Liabilities and Fund Balances	$ 940,608	$ 119,380	$ 943,084

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
$ 396,641	$ 10,205	$ 1,342,295	$ 54,335	$ 2,034,361	$ 4,719,627
-	3,191	12,905	-	-	977,470
750,000	-	740,664	317,176	3,996,428	5,861,795
-	-	-	-	-	102,381
$ 1,146,641	$ 13,396	$ 2,095,864	$ 371,511	$ 6,030,789	$ 11,661,273
$ 281,594	$ 13,354	$ 619,503	$ 24,842	$ 446,310	$ 1,586,273
-	42	-	-	-	842,987
281,594	13,396	619,503	24,842	446,310	2,429,260
-	-	-	-	-	103,614
-	-	1,476,361	346,669	-	2,249,164
865,047	-	-	-	-	1,294,756
-	-	-	-	5,584,479	5,584,479
865,047	-	1,476,361	346,669	5,584,479	9,232,013
$ 1,146,641	$ 13,396	$ 2,095,864	$ 371,511	$ 6,030,789	$ 11,661,273

MERCED UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Local Control Funding Formula	$ -	$ -	$ -
Federal sources	237,296	13,140	3,771,424
Other state sources	106,151	4,006	279,833
Other local sources	2,453,421	3,242	489,015
Total Revenues	2,796,868	20,388	4,540,272
EXPENDITURES			
Current			
Instruction	1,787,472	348,289	-
Instruction-related activities:			
School site administration	766,144	-	-
Pupil Services:			
Food services	-	45,624	5,387,569
All other pupil services	37,305	66,416	-
General administration:			
All other general administration	113,552	21,276	251,908
Plant services	153,369	6,939	19,462
Facility acquisition and construction	-	-	-
Total Expenditures	2,857,842	488,544	5,658,939
Excess (Deficiency) of Revenues Over Expenditures	(60,974)	(468,156)	(1,118,667)
Other Financing Sources (Uses):			
Transfers in	71,000	489,519	1,248,184
Transfers out	(71,000)	-	-
Net Financing Sources (Uses)	-	489,519	1,248,184
NET CHANGE IN FUND BALANCES	(60,974)	21,363	129,517
Fund Balance - Beginning	729,438	75,572	64,541
Fund Balance - Ending	$ 668,464	$ 96,935	$ 194,058

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
$ 374,034	$ -	$ -	$ -	$ -	$ 374,034
-	-	-	-	-	4,021,860
-	-	-	-	-	389,990
6,165	667	2,080,514	1,830	35,868	5,070,722
380,199	667	2,080,514	1,830	35,868	9,856,606
-	-	-	-	-	2,135,761
-	-	-	-	-	766,144
-	-	-	-	-	5,433,193
-	-	-	-	-	103,721
-	-	1,417	-	-	388,153
5,704	-	33,026	-	105,900	324,400
629,680	37,538	3,593,464	-	1,057,982	5,318,664
635,384	37,538	3,627,907	-	1,163,882	14,470,036
(255,185)	(36,871)	(1,547,393)	1,830	(1,128,014)	(4,613,430)
922,000	-	-	-	3,000,000	5,730,703
-	-	-	-	-	(71,000)
922,000	-	-	-	3,000,000	5,659,703
666,815	(36,871)	(1,547,393)	1,830	1,871,986	1,046,273
198,232	36,871	3,023,754	344,839	3,712,493	8,185,740
$ 865,047	$ -	$ 1,476,361	$ 346,669	$ 5,584,479	$ 9,232,013

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Scholarships
ASSETS	
Deposits and investments	$ 1,584,077
LIABILITIES	
NET POSITION	
Reserved for scholarships	
Non-Expendable:	
Acker Scholarship	$ 25,906
Alvernaz Scholarship	20,226
Beal Scholarship	11,200
Callister Scholarship	3,050
Cavaiani Scholarship	10,141
Chamberlain Scholarship	15,631
Cruikshank Scholarship	14,077
Landram Scholarship	26,212
Montano Scholarship	5,490
Mudd Scholarship	21,149
Okuda Scholarship	10,269
Roberts Scholarship	9,287
Roveto Scholarship	132,283
Weimer Scholarship	51,364
Expendable:	
AARP Scholarship	504
Barnes Scholarship	21,597
Bloss Scholarship	867,759
Bennett Scholarship	3,002
Brewer, James Scholarship	18,338
Brewer, Pamela Scholarship	17,365
Broussard Scholarship	1,590
Brown Scholarship	2,943
Church Scholarship	10,881
Crookham Scholarship	142
Dallas Scholarship	1,296
Dibblee, Al Scholarship	30,857
Ed Dimsey Scholarship	1,001
Fancher Scholarship	147,766
Fite Scholarship	386
Gear Up Scholarship	6
Granado Scholarship	8,896
Jackson Scholarship	3,145
Joyner Scholarship	111

See accompanying note to supplementary information.

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF NET POSITION, Continued
JUNE 30, 2018

NET POSITION, Continued	
Reserved for scholarships	Scholarships
Kiwanis Scholarship	$ 282
Lau Scholarship	3,215
Lockwood Scholarship	9,821
Martinelli Scholarship	1
McCollum Scholarship	3,162
McPherson-Hanson Scholarship	133
Mitchell Scholarship	(229)
Moberly Scholarship	4,581
Newhall Scholarship	16,862
Prince Scholarship	36,887
Rohm Scholarship	56
Sodexho Scholarship	139
Souza Scholarship	10,534
Thompson Scholarship	(242)
Yagi Scholarship	5,005
Total Net Position Reserved for Scholarships	$ 1,584,077

See accompanying note to supplementary information.

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Acker Scholarship	Alvernaz Scholarship	Beal Scholarship	Callister Scholarship	Cavaiani Scholarship
ADDITIONS					
Trust income	$ -	$ -	$ -	$ -	$ -
Contributions	-	-	-	-	-
Interest income	20	13	8	2	11
Total Additions	20	13	8	2	11
DEDUCTIONS					
Scholarships awarded	1,250	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Deductions	1,250	-	-	-	-
Change in Net Position	(1,230)	13	8	2	11
Net Position - Beginning	27,136	20,213	11,192	3,048	10,130
Net Position - Ending	$ 25,906	$ 20,226	$ 11,200	$ 3,050	$ 10,141

See accompanying note to supplementary information.

Chamberlain Scholarship	Cruikshank Scholarship	Landram Scholarship	Montano Scholarship	Mudd Scholarship	Okuda Scholarship	Roberts Scholarship
$ 3,812	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
11	9	18	3	14	7	6
3,823	9	18	3	14	7	6
7,875	-	-	-	-	-	-
2	-	-	-	-	-	-
7,877	-	-	-	-	-	-
(4,054)	9	18	3	14	7	6
19,685	14,068	26,194	5,487	21,135	10,262	9,281
$ 15,631	$ 14,077	$ 26,212	$ 5,490	$ 21,149	$ 10,269	$ 9,287

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

	Roveto Scholarship	Weimer Scholarship	Total Non-Expendable Scholarships
ADDITIONS			
Trust income	$ -	$ 10,000	$ 13,812
Contributions	-	-	-
Interest income	899	37	1,058
Total Additions	899	10,037	14,870
DEDUCTIONS			
Scholarships awarded	-	1,500	10,625
Miscellaneous	2	1	5
Total Deductions	2	1,501	10,630
Change in Net Position	897	8,536	4,240
Net Position - Beginning	131,386	42,828	352,045
Net Position - Ending	$ 132,283	$ 51,364	$ 356,285

See accompanying note to supplementary information.

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MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	AARP Scholarship	Barnes Scholarship	Bloss Scholarship	Bennett Scholarship	Brewer, James Scholarship
ADDITIONS					
Trust income	$ -	$ 5,000	$ 480,275	$ 3,000	$ 500
Contributions	-	-	17,909	-	-
Interest income	-	12	1,533	2	82
Total Additions	-	5,012	499,717	3,002	582
DEDUCTIONS					
Scholarships awarded	-	1,000	414,023	-	500
Miscellaneous	-	-	51	-	-
Total Deductions	-	1,000	414,074	-	500
Change in Net Position	-	4,012	85,643	3,002	82
Net Position - Beginning	504	17,585	782,116	-	18,256
Net Position - Ending	$ 504	$ 21,597	$ 867,759	$ 3,002	$ 18,338

See accompanying note to supplementary information.

Brewer, Pamela Scholarship	Broussard Scholarship	Brown Scholarship	Church Scholarship	Crookham Scholarship	Dallas Scholarship	Dibblee, Al & IIABMMC Scholarship
$ 500	$ 50	$ -	$ 250	$ -	$ 1	$ -
-	-	-	-	-	-	-
80	2	4	7	-	-	26
580	52	4	257	-	1	26
500	-	4,000	-	-	-	750
-	1	-	-	-	-	6
500	1	4,000	-	-	-	756
80	51	(3,996)	257	-	1	(730)
17,285	1,539	6,939	10,624	142	1,295	31,587
$ 17,365	$ 1,590	$ 2,943	$ 10,881	$ 142	$ 1,296	$ 30,857

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

	Ed Dimsey Scholarship	Fancher Scholarship	Fite Scholarship	Gear Up Scholarship	Granado Scholarship
ADDITIONS					
Trust income	$ -	$ 103,171	$ -	$ -	$ 6,559
Contributions	-	-	-	-	-
Interest income	1	102	-	-	7
Total Additions	1	103,273	-	-	6,566
DEDUCTIONS					
Scholarships awarded	-	100,394	-	-	425
Miscellaneous	-	24	-	-	-
Total Deductions	-	100,418	-	-	425
Change in Net Position	1	2,855	-	-	6,141
Net Position - Beginning	1,000	144,911	386	6	2,755
Net Position - Ending	$ 1,001	$ 147,766	$ 386	$ 6	$ 8,896

See accompanying note to supplementary information.

Jackson Scholarship	Joyner Scholarship	Kiwanis Scholarship	Lau Scholarship	Lockwood Scholarship	Martinelli Scholarship	McCollum Scholarship
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
2	1	-	3	5	-	2
2	1	-	3	5	-	2
-	-	-	-	-	-	-
-	-	-	1	-	-	-
-	-	-	1	-	-	-
2	1	-	2	5	-	2
3,143	110	282	3,213	9,816	1	3,160
$ 3,145	$ 111	$ 282	$ 3,215	$ 9,821	$ 1	$ 3,162

MERCED UNION HIGH SCHOOL DISTRICT

PRIVATE-PURPOSE SCHOLARSHIP TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

	McPherson-Hanson Scholarship	Mitchell Scholarship	Moberly Scholarship	Newhall Scholarship	Prince Scholarship
ADDITIONS					
Trust income	$ -	$ -	$ -	$ -	$ -
Contributions	-	-	-	-	-
Interest income	-	-	4	11	329
Total Additions	-	-	4	11	329
DEDUCTIONS					
Scholarships awarded	-	375	200	1,625	12,000
Miscellaneous	-	-	-	-	2
Total Deductions	-	375	200	1,625	12,002
Change in Net Position	-	(375)	(196)	(1,614)	(11,673)
Net Position - Beginning	133	146	4,777	18,476	48,560
Net Position - Ending	$ 133	$ (229)	$ 4,581	$ 16,862	$ 36,887

See accompanying note to supplementary information.

Rohm Scholarship	Sodexho Scholarship	Souza Scholarship	Thompson Scholarship	Yagi Scholarship	Total Expendable Scholarships	Total (Memorandum Only)
$ -	$ -	$ -	$ -	$ -	$ 599,306	$ 613,118
-	-	-	-	-	17,909	17,909
-	-	8	-	4	2,227	3,285
-	-	8	-	4	619,442	634,312
-	-	250	-	1,000	537,042	547,667
-	-	-	-	-	85	90
-	-	250	-	1,000	537,127	547,757
-	-	(242)	-	(996)	82,315	86,555
56	139	10,776	(242)	6,001	1,145,477	1,497,522
$ 56	$ 139	$ 10,534	$ (242)	$ 5,005	$ 1,227,792	$ 1,584,077

MERCED UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the Qualified School Construction Bonds subsidy received by the District that is not reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 14,130,463
Reconciling items:		
Qualified School Construction Bonds Subsidy	N/A	(1,492,213)
Total Schedule of Expenditures of Federal Awards		$ 12,638,250

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Private Purpose Scholarship Trust Funds – Combining Statement of Net Position and Combining Statement of Changes in Net Position

These statements are included to provide additional information regarding the individual scholarship trust funds. Following is a description of the purpose and requirements for each of the scholarships.

Jim Acker Memorial Scholarship

This scholarship has been established in honor of Jim Acker who graduated from Merced High School in 1971, by the Jim Acker Memorial Scholarship Committee, to provide a scholarship for graduating seniors from Merced High School attending a two or four year college. Recipient of this scholarship will be selected by the Jim Acker Memorial Scholarship Committee based on citizenship, GPA of 3.0 or higher and participating in athletics.

John L. Alvernaz, Jr. Scholarship

The scholarship is established from the Estate of John L. Alvernaz, Jr. to be awarded to students from Merced Union High School District. No other criteria has been specified for determining eligibility for this scholarship.

Steven O. Beal Memorial Scholarship

This scholarship is established in the memory of Steven O. Beal, a former teacher of Industrial Arts in the Merced Union High School District, for eligible Industrial Arts Drafting students planning to attend a two or four-year accredited college or university. If no Industrial Arts Drafting students apply, the scholarship may be granted to any other deserving Industrial Arts student. The student must have a cumulative GPA of no less than 2.75 for the first seven semesters of high school. The awards are to be in increments of $500 from any amount over the $10,000 principle. This scholarship is non-renewable.

Eldon J. Callister Memorial Scholarship

This scholarship is established in honor of Eldon J. Callister to provide a scholarship each year to a student of Merced Union High School District who enrolls as a full time student at either Brigham Young University or Utah State University. An award is given annually if a graduating senior qualifies.

Ugo Cavaiani Scholarship

This scholarship has been set up per the request of Ugo Cavaiani to award scholarships to Livingston High School graduates aspiring to be nurses.

Chamberlain Scholarship

This scholarship was established by Naomi R. Chamberlain to provide annual scholarships to worthy graduates of Merced High School District. The following requirements are to be met by the District in managing the Chamberlain Scholarship:

- The principal shall remain intact in the Trust and the income only would be distributed to worthy students.
- Scholarships are to be awarded once per year in early May or in the spring semester.
- The number of scholarships is dependent upon the amount of interest or income generated from the fund.
- Approximately one-half of the scholarships are to be awarded to students whose goal is to attend a two-year junior or community college and the remaining awarded to students whose goal is to attend a four-year college.
- Scholarships are to be awarded to students with a 3.0 GPA or better during their attendance at Merced High School.
- Consideration should be given to provide for automatic renewal for any student in continuous enrollment, up to four years at any college or university of his or her choice, as long as the student maintains a 3.0 or higher GPA.

Herbert H. Cruikshank Scholarship

This scholarship was established in honor of Herbert H. Cruikshank. The amount of the scholarship awarded annually will be the amount generated by interest only. No amount of principal shall be part of the scholarship. If no student is awarded the scholarship in a given year, the amount will carry over to the following year, thus making the scholarship amount equivalent to two years. Guidelines for the recipient are as follows:

- Student must attend an accredited community college or a four year college.
- Student must have a record of participating in an extracurricular school activity, club or community service project.
- Student must have graduated from Golden Valley High School and have a 3.0 + GPA.

Hugh K. Landram Memorial Scholarship

This scholarship fund is established in honor of Hugh K. Landram to provide for scholarships to be awarded to deserving students for their future education in an accredited college or university in the State of California.

John P. Montano Memorial Scholarship

This Scholarship is established in honor of John P. Montano, a former Physical Education teacher and coach in the Merced Union High School District. It provides scholarships to eligible students who competed in a varsity sport for a minimum of one season and are planning to attend a two- or four-year college or an accredited vocational school. The student must have a cumulative GPA of no less than 2.5 for the first seven semesters of high school. The awards are to be in increments of $600 from any amount over the $3,255 principal. This scholarship is non-renewable.

Jay Leroy Mudd Scholarship

This scholarship is established from the Estate of Jay Leroy Mudd. The corpus shall not be impaired, but the interest shall be paid, by way of scholarships, to students from Merced Union High School for the purpose of obtaining a college education. A board consisting of the President of Merced City Chamber of Commerce, the President of Merced Rotary club, the Senior Warden of F. & A.M. Lodge #99 of Merced, and the Master of F. & A.M. Lodge #749 of Merced shall have the exclusive right to select the recipients.

Okuda Memorial Scholarship

This scholarship has been established by Franklin Okuda in memory of his son Calvin Okuda. The scholarship has a balance of over $10,000. This is a perpetual scholarship with only the interest being awarded in the form of scholarships. The interest earned shall be split equally for two scholarships, to one male and one female graduate from Livingston High School that meet the following criteria.

- Scholarships are to be awarded to students with a 2.0 GPA or higher.
- Scholarships are to be awarded to students who are enrolled at a vocational school, community college, state college, or university.
- Scholarships are to be awarded to students who otherwise would not receive an award.

Donna Roberts Scholarship

This scholarship has been set up per the request of Eugene E. Roberts to provide a scholarship each year for a graduating senior of Yosemite High School intending to enroll in a community college the subsequent fall semester. Recipient of this scholarship shall be selected by Mr. Ron DeWong or his successor under criteria established by Mr. Eugene E. Roberts.

Rebecca Starr Roveto Scholarship

This scholarship is established to provide scholarships for graduating seniors from Atwater High School or any new high school serving Atwater students who plan to attend an accredited four year college or university in increments of $1,000 beginning in 1998. The awards to be given will be selected by the scholarship committee designated by the Merced Union High School District to applicants who have a minimum of 3.3 GPA (4.0 scale).

Walter Weimer Family/Livingston Rotary International Scholarship

This scholarship has been established in honor of Walter Weimer, per the request of the Weimer Family, to provide a scholarship to a Livingston High School senior. Applicant to meet the following criteria: strong math and science or agricultural science, two or four year college (UC Merced preferred but no required), well-rounded student who participated in activities. Livingston High School site committee selects recipient. Award to be $500 (non-renewable).

AARP Scholarship

This scholarship was established by the Atwater AARP Chapter #2194 in the amount of $9,000 to be distributed at the rate of $1,000 per year for four scholarships, $250 each, until the $9,000 with its earnings has been depleted. The scholarships are to be awarded to two academic majors and two vocational majors for studies accordingly in college. The Atwater High School Scholarship Committee selects several possible academic and vocational recipients from the pool of Atwater High School Scholarship applicants and refers the names to AARP Chapter #2194 for screening and selection.

Richard Barnes Memorial Scholarship

This scholarship was established by JoAnna Browning in the memory of Richard Barnes to provide scholarships for eligible student athletes of Atwater High School who graduate with a minimum 3.0 GPA. There will be one award recipient each year receiving $500 if attending a two year college or $1,000 if attending a four year college.

Christine Bloss Memorial Scholarship

This scholarship is established in honor of Christine Bloss to provide scholarships for graduating seniors. It is awarded annually to students who attend a two-year or four-year college and are graduates of Merced High School, Atwater, Livingston, Yosemite, or the Adult School. The total amount awarded annually is determined by the Board of Trustees based on earnings from trust account and time certificates. Each campus receives a stipulated amount based on the number of graduates on a percentage basis. Each school determines the number of recipients and the amount of each award. Students must attend an accredited California college or university.

Bennett Family Scholarship

This scholarship has been established in honor of the Bennett Family, per the request of the Bennett Family, to provide a scholarship to a High School senior who intends to attend a historically black four year college. Applicant to meet the following criteria: AP class coursework, minimum GPA of 3.0.Bennett Family committee selects recipient. Award to be $3,000 for a four year college annually.

James Brewer Memorial Scholarship

This scholarship has been established in honor of James W. Brewer. A $500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Science teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Pamela Brewer Scholarship

This scholarship has been established in honor of Pamela K. Brewer. A $500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Social Studies or English teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Kiara Broussard Culinary Arts Scholarship

This scholarship has been established in honor of Kiara Broussard, per the request of Jennifer Broussard, to provide a scholarship for a graduating senior of Golden Valley High School or Buhach Colony/Merced High School if Golden Valley has no candidates. Applicant majoring in Culinary Arts (San Francisco Culinary Academy preferred). Recipient will be selected by family of Kiara Broussard. No required activities, minimum GPA 3.0, $500 award (amount may change).

Brown Memorial Scholarship

This scholarship was established to provide scholarships to Merced and Golden Valley High School graduating seniors planning to attend a two or four-year accredited college or university in increments of $1,000 per year for four years or completion of undergraduate degree. Scholarships will be awarded to students with a 3.3 cumulative GPA. College students must have a cumulative 2.5 GPA to remain eligible.

Church Scholarship

This scholarship has been established by Mr. and Mrs. Dan Church. The Scholarship Fund has accumulated approximately $10,000. The interest accrued each year will be awarded to a graduating Golden Valley High School male or female student athlete who has participated in at least one varsity sport and plans to attend Merced College.

Sybil Nye Crookham Memorial Scholarship

This scholarship is established in honor of Sybil Nye Crookham. The scholarship will be awarded to seniors at either Atwater or Buhach Colony High Schools with a GPA of at least 3.0. The $250 scholarship will be awarded to one senior at each high school.

Dallas Athletic Scholarship (Heart Award)

This scholarship has been established at Atwater and Buhach Colony High Schools in the amounts of $12,500 each. The $1,000 scholarship will be awarded to a female athlete at each high school with a minimum GPA of 2.5 who has participated in athletics for a minimum of two years who will be enrolled in a two or four year college or vocational school.

Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties Scholarship

This scholarship has been established by Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties. The $500 scholarship will be awarded to two seniors on a rotating basis at Livingston and Buhach Colony High Schools in 2010, Atwater and Golden Valley High Schools in 2011, and Merced and Livingston High Schools in 2012. The two scholarships of $500 will be awarded each year until the funds are depleted. When funds are reduced to less than $500, the remaining balance will be the award. The applicants will need to meet the following criteria: Senior, Minimum GPA of 3.0, attend Merced College, business related major, and have a financial need. The Campus Site Scholarship Committees will select the recipient using the MUHSD Generic Scholarship application.

Edward Dimsey Memorial Scholarship

This Scholarship is established in honor of Edward Dimsey. It provides scholarships to eligible students of Merced Adult School who completed a minimum of 100 hours of community service in Merced County within the preceding two years and are planning to attend a two or four-year college or an accredited vocational school. A committee consisting of present and former Merced Adult School staff and members of the Veterans of Foreign Wars Chapter in Atwater shall have the exclusive right to select the recipients.

Fred B. Fancher Scholarship

This scholarship is established in honor of Fred B. Fancher. Scholarships are granted annually to qualified graduates of the Merced Union High School District who have demonstrated an interest in the broad field of agriculture and who wish to pursue a course of study, directly or indirectly, related to the field of agriculture. Students must attend either a two-year or a four-year accredited California university or college. The amount awarded each year depends upon the availability of funds. Applicants may reapply each year and receive a scholarship for up to a maximum of four years.

Carter Fite Memorial Scholarship

This scholarship has been established in honor of Carter Fite. The scholarship awards began in the spring of 2002 and will be awarded until the funds are depleted. Scholarships in the amount of $500 each will be awarded to two Atwater High School seniors pursuing a two or four year college degree and majoring in math or teaching (elementary or high school), preferably math teacher. A GPA of 3.0 or higher is required. Students may use the generic Merced Union High School District scholarship application. There are no financial need requirements. Atwater High School Scholarship Committee selects the recipients and the funds are distributed using the Bloss Scholarship guidelines. Staff will present the awards at the awards ceremony.

Gear Up Scholarship

This scholarship has been established by the Gear Up Program. Awards of $150, $300, or $500 will be given to students enrolled in the Gear Up Program at Atwater and Buhach High Schools. The awards will be based on how well the students did in the program.

Mario Granado Memorial Scholarship

This scholarship has been established in honor of Mario Granado, a former employee of Merced Union High School District, per the request of Cynthia Granado, to provide non-renewable scholarships to Livingston High School, Atwater High School, Buhach Colony High School, Merced High School and Golden Valley High School seniors with 2.0+ GPA. Applicants to meet any of the following criteria: pursuing a vocational program (priority), overcome obstacles or shown improvement, come from large family, participate in baseball or softball, complete 200+ hours of community service or plays a musical instrument. Awards to be $1,000 at each campus.

Betty B. Jackson Scholarship

This scholarship has been established in honor of Betty B. Jackson, per the request of Lloyd Jackson, to provide a scholarship for the first year of college for a graduating senior of Merced High School enrolling in a junior college. Recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mr. Lloyd Jackson as follows:

- Financial need as determined by the Scholarship Committee.
- Minimum GPA of 2.0 based on last five semesters of high school grades.
- Selection cannot be made until after the Bloss and Smith Scholarships are selected.

Joyner Scholarship

This scholarship was established by the California Association of School Business Officials to be given in the name of Lydia L. Lobdell, in the amount of $500 each year for ten years. The recipient will be selected from one high school in the District on a rotating basis. The selection will be made by a committee of business teachers at the site. The scholarship may be awarded without qualification to any graduate in need of assistance to continue their education.

Livingston Kiwanis Club Scholarship

This scholarship has been established by the Kiwanis Club of Livingston-Delhi for the purposes of awarding a yearly academic scholarship to a Livingston High School Student, beginning in 1993. The criteria is to be established by the Livingston High School Scholarship Committee.

Karina Lau Memorial Scholarship

This scholarship is established in honor of Karina Lau. The scholarship is to be awarded to a senior at Livingston High School who was involved in the music or theater program and will enroll in a two or four year college with a music or theater related degree. The scholarship will be $1,000 a year for up to four years as long as the student continues with a music or theater major.

Lester L. Lockwood Memorial Scholarship

This scholarship has been established in honor of Lester L. Lockwood with the approval of Janelle Lockwood. The Lester Lockwood Memorial Scholarship will be awarded each year to a graduating senior from Yosemite High School who plans to continue his/her education at Merced College, or the previous year's recipient who is currently enrolled at Merced College and has reapplied for the scholarship. The scholarship may be renewed one time only in the manner described above. A current college student who is reapplying will be given precedence. In the event there is no reapplication, a graduating senior from Yosemite High School will be chosen by the administration and staff at Yosemite High School.

Angelo Martinelli Memorial Scholarship

This scholarship is established in honor of Angelo Martinelli to provide scholarships to eligible Merced High School graduates. Scholarships in the amount of $250 will be awarded to students who have received a cumulative GPA of at least 2.75 in high school, the student may attend an accredited two-year, four-year, or a vocational school, and the student will be approved by the Martinelli family. This scholarship is non-renewable.

Karen McCollum Memorial Scholarship

This scholarship was established in honor of Karen McCollum to provide a scholarship to an eligible student who attended the GED program at the Merced Adult School and is enrolling with a GPA of 2.0 or higher and at least six or more units of work at Merced Community College. The $500 scholarship will be disbursed in two separate payments annually (August and December).

Lucy McPherson-Hanson Memorial Scholarship

This scholarship was established to provide annual scholarships preferably to an African American student, or other minority student, graduating from Merced High School with a minimum grade point average of 2.5. This scholarship is non-renewable.

Herbert Mitchell Memorial Scholarship

This scholarship has been established in honor of Herbert Mitchell by his widow, Mrs. Winnie Mitchell, to provide a $200 scholarship to a deserving graduate of Merced High School. The recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mrs. Winnie Mitchell as follows:

- Financial need as determined by the Scholarship Committee.
- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

Sanford Moberly Memorial Scholarship

This scholarship is established in memory of Sanford Moberly, an art teacher at Livingston High School. Each year an art student, selected by the Livingston High School Art Department, receives a $200 award from this scholarship.

Henry Mayo Newhall Scholarship

This scholarship was established by a gift from the Henry Mayo Foundation. A scholarship in the amount of $8,000 is awarded to the outstanding graduate of Merced High School who will attend a four-year college. Applicant selection criteria is the same as for the Bloss Scholarship.

Clarence Earl Prince Scholarship

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed form one year to the next.

Ryan M. Rohm Memorial Scholarship

This scholarship is established in honor of Ryan Rohm to provide scholarships to eligible Golden Valley High School graduates. Three scholarships, in the amount of $1,000 ($500 per year for two years), will be awarded to approved students, to be eligible a student must have received a cumulative GPA of at least 3.0 in high school. This scholarship is non-renewable.

Sodexho Scholarship

Sodexho School Services has established this scholarship which will total two $500 scholarships a year for students wishing to continue their education beyond high school in a vocational area. The scholarship will be rotated between all District high schools beginning with Buhach Colony and Golden Valley. The scholarship will be awarded to one student at each of the two high schools with at least a 2.5 GPA.

Crystal Souza Memorial Scholarship

This scholarship is established in honor of Crystal Souza. The scholarship is to be awarded to seniors at Livingston High School and will total $250 a year for two students. Each $250 scholarship will be awarded to one agriculture major and one nursing major. The students must be attending Merced College.

Bob Thompson Rotary Scholarship

This scholarship has been established by Bob Thompson. The scholarship will be awarded to a Livingston High School Senior who is pursuing a vocational degree or certificate. The award amount will be $500 per year and the recipient will be selected by the Livingston High School Site Committee.

George Yagi Memorial Scholarship

This scholarship has been established in honor of George Yagi, per the request of Floy Yagi, to provide a scholarship to a Livingston High School senior who intends to attend a two or four year college. Applicant to meet the following criteria: major in agriculture or related field, participation in FFA, minimum GPA of 3.0. Livingston High School site committee selects recipient. Award to be $1,000 for a four year college or $500 for a two year college.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Merced Union High School District
Merced, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Merced Union High School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Merced Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merced Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Merced Union High School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Merced Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Merced Union High School District in a separate letter dated December 11, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 11, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Merced Union High School District
Merced, California

Report on Compliance for Each Major Federal Program

We have audited Merced Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Merced Union High School District's major Federal programs for the year ended June 30, 2018. Merced Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Merced Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Merced Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Merced Union High School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Merced Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Merced Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Merced Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Merced Union High School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 11, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Merced Union High School District
Merced, California

Report on State Compliance

We have audited Merced Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Merced Union High School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Merced Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Merced Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Merced Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Merced Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Merced Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	No (see below)
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District only has grades 9-12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 11, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MERCED UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Number	Name of Federal Program or Cluster
84.010	Title I - Part A, Basic

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

MERCED UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

MERCED UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings reported in the prior year's schedule of financial statement findings.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

Governing Board
Merced Union High School District
Merced, California

In planning and performing our audit of the financial statements of Merced Union High School District (the District), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2018, on the government-wide financial statements of the District.

ATWATER HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During the audit of the cash receipts system, we discovered that teachers/advisors are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by which students. Without this supporting documentation we cannot determine if deposits are intact or if the teachers are forwarding funds to the ASB bookkeeper in a timely manner. When there is no documentation attached to the funds turned in, the bookkeeper cannot reconcile to determine the accuracy of the cash count sheet and the actual amount turned in.

Recommendation

Sub-receipts should be used by teachers/advisors when conducting fundraising activities. For certain events, a class roster or tally sheet may be sufficient in place of using a sub-receipt book. Prenumbered receipts should be issued, a classroom roster, or a tally sheet should be completed, for all collections by teachers/advisors which should include a specific description of the source of the funds. The documentation issued/prepared by the teachers/advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in.

Prohibited Expenditure

Observation

During our audit of cash disbursements, we noted ASB funds were used to purchase a Carhartt jacket for a club advisor. This item was not for the general welfare of the students and is therefore considered a prohibited expenditure. Purchases of staff clothing should be handled by the District Office and should not use ASB funds.

6051 N. Fresno St., Suite 101, Fresno, CA 93710 P 559.248.0871 F 559.248.0875 W vtdcpa.com

Recommendation

The site should review the cash disbursement procedures outlined in the Accounting and Procedures for Student Organization manual prepared by the California Department of Education or the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. All expenditures should be approved only if the purchased item is for the general welfare and benefit of the students. This will reduce the risk of unauthorized spending and using ASB monies for prohibited expenditures. Further information can be found in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org.

Unmonitored PayPal Account

Observation

During our audit of the Associated Student Body accounts, we discovered the FFA club had set up a PayPal account however monthly statements or activity reports were not being submitted to the site ASB bookkeeper. The account was not reconciled to deposits received nor monitored for unauthorized or unapproved disbursements.

Recommendation

The FFA club should submit a monthly statement or activity report to the ASB bookkeeper on a regular basis. The ASB bookkeeper should treat the PayPal account as another bank account and implement the same controls and practices as a traditional ASB bank account. Deposits should be monitored for timeliness and disbursements should follow normal ASB procedures and generally be disbursed from the main ASB checking account.

BUHACH COLONY HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During the audit of the cash receipts system, we discovered that teachers/advisors are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by which students. Without this supporting documentation we cannot determine if deposits are intact or if the teachers are forwarding funds to the ASB bookkeeper in a timely manner. When there is no documentation attached to the funds turned in, the bookkeeper cannot reconcile or determine the accuracy of the cash count sheet and the actual amount deposited.

Recommendation

Sub-receipts should be used by teachers/advisors when conducting fundraising activities. For certain events, a class roster or tally sheet may be sufficient in place of using a sub-receipt book. Prenumbered receipts should be issued, a classroom roster, or a tally sheet should be completed, for all collections by teachers/advisors which contain a description of the source of the funds. The documentation issued/prepared by the teachers/advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been deposited.

Inventory - Student Store and Concession

Observation

During our audit, we discovered that items for sale did not have regular inventory counts. When inventory is not tracked and reconciled to sales, it is impossible to determine if all funds received have been deposited.

Recommendation

Without taking inventory the site is unable to determine if merchandise has been misplaced. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, a physical inventory should be taken quarterly under the supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. Daily sales information should be used to reconcile ending inventory to a physical count. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been misplaced. The June 30 inventory report would also be used in the preparation of the student bodies' financial statements.

Revenue Potentials

Observation

Revenue potential forms are not consistently completed in full to document and control fundraising activities as they occur. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

The revenue potential form is a vital internal control tool; it should be used to document potential revenues, expenditures, and also to document actual revenue and expenditures. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed event. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all funds due and so forth. The revenue potential form used at the site should contain four major elements. These are:

- Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from the fundraiser if all the items were sold and all the funds were turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks cost so profits can be determined.
- Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor from the bookkeeper, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure all postings were correct.
- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.

- Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section**.**

LIVINGSTON HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

During the audit of the cash receipts system, we discovered that teachers/advisors are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by which students. Without this supporting documentation we cannot determine if deposits are intact or if the teachers are forwarding funds to the ASB bookkeeper in a timely manner. When there is no documentation attached to the funds turned in, the bookkeeper cannot reconcile to determine the accuracy of the cash count sheet and the actual amount turned in.

Recommendation

Sub-receipts should be used by teachers/advisors when conducting fundraising activities. For certain events, a class roster or tally sheet may be sufficient in place of using a sub-receipt book. Prenumbered receipts should be issued, a classroom roster, or a tally sheet should be completed, for all collections by teachers/advisors which should include a specific description of the source of the funds. The documentation issued/prepared by the teachers/advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in.

Inventory

Observation

During our audit, we noted the following deficiencies:

- Concession stand event inventory is inadequate and cannot be reconciled back to funds collected. Beginning and ending inventory is not consistently documented; therefore, total sales cannot be reconciled to the amount turned in to the Bookkeeper.
- Quarterly inventory is not performed for the Concessions and Pacific Club and therefore an analysis cannot be performed for what should be on hand to what is actually on hand.

Recommendation

The site should implement the following procedures:

- Concession stands should take inventory at the beginning and ending of the event. The difference should then be multiplied by the respective price to determine Total Sales. This should be compared to the actual amount of funds received and any discrepancies should be documented and explained.
- Quarterly inventory should be performed under the supervision of an Advisor and the amounts on hand should be compared to what should be on hand. The amount that should be on hand can be derived from the last "daily inventory" of the period as long as all inventory changes (sales and purchases) are properly accounted for.

Further information can be found in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org.

Prohibited Purchases

Observation

As discussed in prior year, we discovered that when teachers and students go to Costco to purchase student store supplies, the students are treated to hot dogs, pizza, and drinks as a reward for helping out. While this practice is not material to the fiduciary, it is prohibited as it benefits a targeted segment of the Associated Student Body and without prior approval.

Recommendation

Do not use Associated Student Body funds to reward any segment of the Associated Student Body. Find nonfinancial means to express appreciation for assistance with day-to-day operations of the Associated Student Body and its enterprise endeavors.

MERCED HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Prohibited Expenditures

Observation

We noted the following instances of prohibited expenditures:

- A cellphone was purchased for an official to replace his cellphone that stolen during a football game.
- New slip and fall prevention mats were purchased for the gym.
- Food was purchased for a staff/student luncheon.

Financial responsibility for personal items that are lost or stolen at the site is not assumed by the Associated Student Body.

According to the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, prohibited expenditures include but not limited to:

- Salaries or supplies that are the responsibility of the district. Some examples are teachers' salaries and negotiated stipends, curriculum supplies, and office supplies and equipment.
- Employee appreciation gifts or meals.

Recommendation

The Student Body funds should not be used for any expenditure which does not "directly promote the general welfare, morale or educational experience of the students, or are considered a district responsibility…", FCMAT Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference.

Governing Board
Merced Union High School District

Revenue Potentials

Observation

During our audit, we noted revenue potential forms which were on file that contained only preliminary "potential" income reported. The "recap" portion of the form that lists actual collections, compares actual income to the potential, and provides for discrepancies, is still not being completed consistently.

Recommendation

The site should implement procedures in which all revenue potential forms are completed in full. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 11, 2018

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Merced Union High School District (the "District") in connection with the issuance of $5,791,397.45 of the District's Election of 2008 General Obligation Bonds, Series E (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District adopted on December 12, 2018 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. <u>Content and Form of Annual Reports</u>. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) state funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) assessed valuation of taxable property within the District as shown on the recent equalized assessment role;

(e) property tax collection delinquencies for the District, for the most recently completed fiscal year, if the District is no longer a participant in the County of Merced's Teeter Plan;

(f) top 20 property owners in the jurisdiction of the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective secured assessed valuation, and their percentage of the District's total secured assessed valuation; and

(g) the adopted budget of the District for the then-current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the

entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure

Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: January 29, 2019

MERCED UNION HIGH SCHOOL DISTRICT

By: ______________________________

Scott Weimer, Ed.D.
Assistant Superintendent of Business and Student Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: MERCED UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: Election of 2008 General Obligation Bonds, Series E (Bank Qualified)

Date of Issuance: January 29, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

MERCED UNION HIGH SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX D

ACCRETED VALUES TABLE

Date	CAB Bond 08/01/2037 4.01%	CAB Bond 08/01/2038 4.07%	CAB Bond 08/01/2039 4.12%	CAB Bond 08/01/2040 4.16%	CAB Bond 08/01/2041 4.18%	CAB Bond 08/01/2042 4.2%	CAB Bond 08/01/2043 4.22%
01/29/2019	2,398.15	2,278.50	2,166.65	2,062.60	1,970.70	1,882.15	1,796.85
02/01/2019	2,398.70	2,279.00	2,167.15	2,063.10	1,971.15	1,882.60	1,797.30
08/01/2019	2,446.75	2,325.40	2,211.80	2,106.00	2,012.35	1,922.10	1,835.20
02/01/2020	2,495.85	2,372.70	2,257.35	2,149.80	2,054.40	1,962.50	1,873.95
08/01/2020	2,545.85	2,421.00	2,303.85	2,194.50	2,097.35	2,003.70	1,913.50
02/01/2021	2,596.90	2,470.25	2,351.30	2,240.15	2,141.20	2,045.75	1,953.85
08/01/2021	2,649.00	2,520.55	2,399.75	2,286.75	2,185.95	2,088.75	1,995.10
02/01/2022	2,702.10	2,571.85	2,449.20	2,334.30	2,231.60	2,132.60	2,037.20
08/01/2022	2,756.25	2,624.15	2,499.65	2,382.90	2,278.25	2,177.40	2,080.15
02/01/2023	2,811.55	2,677.60	2,551.15	2,432.45	2,325.90	2,223.10	2,124.05
08/01/2023	2,867.90	2,732.05	2,603.70	2,483.05	2,374.50	2,269.80	2,168.85
02/01/2024	2,925.40	2,787.65	2,657.30	2,534.70	2,424.10	2,317.45	2,214.65
08/01/2024	2,984.05	2,844.40	2,712.05	2,587.40	2,474.80	2,366.15	2,261.35
02/01/2025	3,043.90	2,902.30	2,767.95	2,641.20	2,526.50	2,415.80	2,309.10
08/01/2025	3,104.95	2,961.35	2,824.95	2,696.15	2,579.30	2,466.55	2,357.80
02/01/2026	3,167.20	3,021.60	2,883.15	2,752.25	2,633.20	2,518.35	2,407.55
08/01/2026	3,230.70	3,083.10	2,942.55	2,809.50	2,688.25	2,571.25	2,458.35
02/01/2027	3,295.45	3,145.85	3,003.15	2,867.95	2,744.45	2,625.25	2,510.20
08/01/2027	3,361.55	3,209.85	3,065.00	2,927.60	2,801.80	2,680.35	2,563.20
02/01/2028	3,428.95	3,275.15	3,128.15	2,988.50	2,860.35	2,736.65	2,617.25
08/01/2028	3,497.70	3,341.80	3,192.60	3,050.65	2,920.15	2,794.10	2,672.50
02/01/2029	3,567.80	3,409.85	3,258.35	3,114.10	2,981.15	2,852.80	2,728.90
08/01/2029	3,639.35	3,479.20	3,325.50	3,178.85	3,043.45	2,912.70	2,786.45
02/01/2030	3,712.30	3,550.00	3,394.00	3,245.00	3,107.10	2,973.90	2,845.25
08/01/2030	3,786.75	3,622.25	3,463.90	3,312.50	3,172.00	3,036.35	2,905.30
02/01/2031	3,862.70	3,696.00	3,535.25	3,381.40	3,238.30	3,100.10	2,966.60
08/01/2031	3,940.10	3,771.20	3,608.10	3,451.70	3,306.00	3,165.20	3,029.20
02/01/2032	4,019.10	3,847.95	3,682.40	3,523.50	3,375.10	3,231.65	3,093.10
08/01/2032	4,099.70	3,926.25	3,758.30	3,596.80	3,445.65	3,299.55	3,158.40
02/01/2033	4,181.90	4,006.15	3,835.70	3,671.60	3,517.65	3,368.80	3,225.00
08/01/2033	4,265.75	4,087.65	3,914.70	3,748.00	3,591.15	3,439.55	3,293.05
02/01/2034	4,351.30	4,170.85	3,995.35	3,825.95	3,666.20	3,511.80	3,362.55
08/01/2034	4,438.55	4,255.75	4,077.65	3,905.50	3,742.85	3,585.55	3,433.50
02/01/2035	4,527.50	4,342.35	4,161.65	3,986.75	3,821.05	3,660.85	3,505.95
08/01/2035	4,618.30	4,430.70	4,247.40	4,069.70	3,900.95	3,737.70	3,579.95
02/01/2036	4,710.90	4,520.85	4,334.90	4,154.35	3,982.45	3,816.20	3,655.45
08/01/2036	4,805.35	4,612.85	4,424.20	4,240.75	4,065.70	3,896.35	3,732.60
02/01/2037	4,901.70	4,706.75	4,515.35	4,328.95	4,150.65	3,978.20	3,811.35
08/01/2037	5,000.00	4,802.50	4,608.35	4,419.00	4,237.40	4,061.70	3,891.80
02/01/2038		4,900.25	4,703.30	4,510.90	4,326.00	4,147.00	3,973.90
08/01/2038		5,000.00	4,800.15	4,604.75	4,416.40	4,234.10	4,057.75
02/01/2039			4,899.05	4,700.50	4,508.70	4,323.00	4,143.35
08/01/2039			5,000.00	4,798.30	4,602.95	4,413.80	4,230.80
02/01/2040				4,898.10	4,699.15	4,506.50	4,320.05
08/01/2040				5,000.00	4,797.35	4,601.15	4,411.20
02/01/2041					4,897.60	4,697.75	4,504.30
08/01/2041					5,000.00	4,796.40	4,599.35
02/01/2042						4,897.15	4,696.40
08/01/2042						5,000.00	4,795.45
02/01/2043							4,896.65
08/01/2043							5,000.00

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APPENDIX E

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR MERCED COUNTY AND THE CITIES OF ATWATER, LIVINGSTON AND MERCED

The following information regarding economic activity within Merced County (the "County") and the City of Atwater, the City of Livingston and the City of Merced (together, the "Cities"), which are located in the District, is provided as background information only to describe the general economic health of the region. The Bonds are not a debt or obligation of either the Cities or the County.

General

City of Merced. The City of Merced ("Merced") is the County seat and the largest of the County's six incorporated cities. Merced is located 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles, and has an estimated population of 86,750 persons in 2018. Merced was incorporated as a charter city in 1889 and has a council-manager form of government.

City of Atwater. The City of Atwater ("Atwater") is approximately 6 miles northwest of Merced, 105 miles south of Sacramento and 65 miles north of Fresno and has an estimated population of approximately 31,235 residents in 2018. Atwater was incorporated in 1922 as a general law city and has a city council/city manager form of government.

City of Livingston. The City of Livingston ("Livingston"), approximately 16 miles northwest of Merced, is 116 miles east of San Francisco and 100 miles south of Sacramento and has an estimated population of approximately 14,328 residents in 2018. Livingston was incorporated in 1922 as a general law city and has a city council/city manager form of government.

Merced County. The County is centrally located in the San Joaquin Valley with easy access to the San Francisco Bay Area, Monterey, Carmel, Lake Tahoe and Reno. The County was established by an act of the Legislature in April 1855, forming the County from the southwestern portion of Mariposa County. The County encompasses approximately 2,020 square miles, and spans from the coastal ranges to the foothills of Yosemite National Park. The County has an estimated population of approximately 279,977 residents in 2018.

State Highway 99 and U.S. Interstate Highway 5 provide easy access from the County to the rest of California and the West. Buses, Amtrak, and the Union Pacific Railroad provide freight and passenger services to other western destinations. Scheduled air passenger service is provided from airports in Modesto and Fresno.

Population

The following table shows population figures for the Cities and the County for the 10 most recent years.

POPULATION
2009 through 2018
City of Merced, City of Atwater, City of Livingston and Merced County

Year[(1)]	City of Merced	City of Atwater	City of Livingston	Merced County
2009	78,430	27,677	12,988	253,026
2010[(2)]	78,958	28,168	13,058	255,793
2011	79,882	28,525	13,249	258,788
2012	81,216	29,234	13,407	262,100
2013	82,157	29,472	13,489	264,387
2014	82,711	29,595	13,705	266,528
2015	83,945	30,023	13,762	269,111
2016	85,003	30,490	13,849	271,500
2017	85,953	30,684	13,972	275,104
2018	86,750	31,235	14,328	279,977

(1) As of January 1.
(2) April 1 data.
Source: California Department of Finance.

Income

The following table shows per capita personal income for the County, the State and the United States from 2008 through 2017.

PER CAPITA PERSONAL INCOME[(1)]
2008 through 2017
Merced County, State of California and United States

Year	Merced County	State of California	United States
2008	$27,237	$43,895	$40,904
2009	27,341	42,050	39,284
2010	28,431	43,609	40,545
2011	30,525	46,145	42,727
2012	31,035	48,751	44,582
2013	33,081	49,173	44,826
2014	35,768	52,237	47,025
2015	36,226	55,679	48,940
2016	36,868	57,497	49,831
2017	38,716	59,796	51,640

Note: All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the Cities, the County, and the State from 2013 through 2017.

CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE
2013 through 2017
City of Merced, City of Atwater, City of Livingston, Merced County and State of California

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2013	City of Merced	34,500	29,800	4,700	13.7%
	City of Atwater	12,300	10,300	2,000	15.9
	City of Livingston	6,400	5,300	1,100	17.6
	Merced County	114,600	98,000	16,600	14.5
	State of California	18,625,000	16,958,400	1,666,600	8.9
2014	City of Merced	34,500	30,300	4,200	12.1%
	City of Atwater	12,300	10,500	1,700	14.1
	City of Livingston	6,400	5,400	1,000	15.7
	Merced County	114,500	99,800	14,700	12.8
	State of California	18,758,400	17,351,300	1,407,100	7.5
2015	City of Merced	34,500	30,800	3,700	10.7%
	City of Atwater	12,200	10,700	1,500	12.5
	City of Livingston	6,300	5,500	900	13.9
	Merced County	114,300	101,400	12,900	11.3
	State of California	18,896,500	17,724,800	1,171,700	6.2
2016	City of Merced	34,700	31,300	3,400	9.9%
	City of Atwater	12,300	10,900	1,400	11.6
	City of Livingston	6,400	5,500	800	12.9
	Merced County	115,000	103,000	12,100	10.5
	State of California	19,093,700	18,048,800	1,044,800	5.5
2017	City of Merced	34,200	30,700	3,500	10.3%
	City of Atwater	12,400	11,400	1,000	8.0
	City of Livingston	6,600	6,100	400	6.9
	Merced County	116,100	105,300	10,800	9.3
	State of California	19,312,000	18,393,100	918,900	4.8

Note: Data is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

Industry

The following table summarizes the average annual industry employment in the County from 2013 through 2017.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2013 through 2017
Merced County

	2013	2014	2015	2016	2017
Total Farm	13,600	13,700	14,100	14,000	14,400
Mining, Logging and Construction	1,600	1,700	1,900	2,200	2,500
Manufacturing	8,700	9,700	9,700	9,300	9,700
Wholesale Trade	1,700	1,400	1,400	1,600	1,600
Retail Trade	7,600	7,800	8,000	8,100	8,300
Transportation, Warehousing & Utilities	2,900	2,800	2,800	2,900	3,100
Information	400	400	300	300	300
Financial Activities	1,500	1,600	1,600	1,800	1,900
Professional and Business Services	4,300	3,800	3,800	3,700	3,700
Education and Health Services	8,800	9,100	9,400	9,800	10,300
Leisure and Hospitality	5,000	5,400	5,400	5,500	5,600
Other Services	1,400	1,300	1,400	1,400	1,400
Government	16,600	17,100	17,700	18,500	18,700
Total All Industries	74,000	75,800	77,500	79,000	81,600

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2017 Benchmark.

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Major Employers

The County's economy has traditionally had a strong agricultural base, though industry has been developing rapidly in recent years. Over 700 manufacturing firms are located in the County producing items including steel products, materials made from concrete and glass, canned foods, paper goods and commercial and scientific equipment. The following table sets forth the major employers located in the County in 2017.

LARGEST EMPLOYERS
2017
Merced County

Rank	Employer	Number of Employees
1.	Foster Farms Inc.	3,138
2.	UC Merced	2,200
3.	County of Merced	2,036
4.	Mercy Medical Center	1,341
5.	Dole Packaged Foods LLC	1,275
6.	Merced City School District	1,100
7.	Merced Union High School District(1)	1,050
8.	Merced Community College District	895
9.	Liberty Packing Company LLC	650
10.	City of Merced	480

(1) For updated information regarding the District's employees, see "MERCED UNION HIGH SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: Merced County 'Comprehensive Annual Financial Report' for the year ended June 30, 2017.

Commercial Activity

Summaries of annual taxable sales for the County and the Cities from 2012 through 2016 are shown in the following tables.

TAXABLE SALES
2012 through 2016
Merced County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	2,557	$1,778,567	3,734	$2,512,316
2013	2,596	1,870,789	3,725	2,672,998
2014	2,553	1,913,822	3,658	2,764,904
2015	2,711	1,907,627	4,064	2,964,724
2016	2,750	1,964,450	4,167	2,780,357

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

TAXABLE SALES
2012 through 2016
City of Merced
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	1,016	$795,073	1,441	$942,376
2013	1,017	817,733	1,427	973,291
2014	975	835,964	1,369	994,496
2015	1,058	844,506	1,520	1,000,411
2016	1,067	894,435	1,548	1,046,180

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

TAXABLE SALES
2012 through 2016
City of Atwater
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	316	$196,486	436	$236,281
2013	307	197,650	418	229,615
2014	304	202,694	420	236,653
2015	341	211,612	492	236,604
2016	342	214,064	507	237,164

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

TAXABLE SALES
2012 through 2016
City of Livingston
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	100	$101,284	124	$113,264
2013	106	105,853	129	123,067
2014	110	111,948	131	122,853
2015	113	97,465	139	112,276
2016	122	94,511	151	113,678

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Building Activity

Annual building permit valuations and the number of permits for new dwelling units issued each year from 2013 through 2017 are shown in the following tables for the County and the Cities.

BUILDING PERMIT VALUATIONS
2013 through 2017
Merced County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$41,625	$53,826	$92,837	$173,894	$143,338
Non-Residential	113,357	138,404	99,760	111,019	129,274
Total	$154,982	$192,230	$192,597	$284,913	$272,612
Units					
Single Family	102	203	435	791	695
Multiple Family	49	6	2	89	36
Total	151	209	437	880	731

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2013 through 2017
City of Merced
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$3,048	$8,336	$18,279	$28,625	$30,977
Non-Residential	16,051	9,795	11,878	8,974	15,121
Total	$19,099	$18,131	$30,157	$37,599	$46,098
Units					
Single Family	9	39	79	164	194
Multiple Family	0	0	2	20	36
Total	9	39	81	184	230

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2013 through 2017
City of Atwater
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$1,331	$6,455	$13,017	$9,143	$8,049
Non-Residential	1,639	4,522	2,702	2,238	2,743
Total	$2,970	$10,977	$15,719	$11,381	$10,792
Units					
Single Family	6	44	95	64	56
Multiple Family	0	0	0	0	0
Total	6	44	95	64	56

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2013 through 2017
City of Livingston
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$5,615	$400	$5,075	$11,696	$23,156
Non-Residential	1,771	8,522	3,888	5,598	15,147
Total	$7,386	$8,922	$8,963	$17,294	$38,303
Units					
Single Family	0	0	10	34	68
Multiple Family	49	2	0	0	0
Total	0	0	10	34	68

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

Agriculture

Agricultural related industries are a major source of employment in the County. The County's agriculture commodities grossed $3,408,886,000 in 2017. The following table compares commodity value crops in the County in 10-year intervals between 1987 and 2017.

COMMODITY VALUE CROP COMPARISON
1987 through 2017
Merced County

Commodity	1987	1997	2007	2017
Aquaculture	--	$1,280,000	$3,312,000	--
Bee Industry	$3,385,000	8,033,000	21,411,000	$38,169,000
Field Crops	174,576,000	284,482,000	363,722,000	383,335,000
Fruit and Nut Crops	209,000,000	337,350,000	437,778,000	755,884,000
Livestock and Poultry Production	206,816,000	239,294,000	634,535,000	665,101,000
Livestock and Poultry Products	256,988,000	492,633,000	1,177,652,000	1,098,422,000
Nursery Products	8,244,000	15,833,000	29,629,000	57,648,000
Other Agriculture	--	11,429,000	11,951,000	15,320,000
Seed Crops	1,985,000	1,295,000	1,938,000	4,504,000
Vegetable Crops	81,488,000	135,208,000	319,737,000	390,502,000
Total	$942,482,000	$1,526,837,000	$3,001,666,000	$3,408,886,000

Source: Merced County Farm Bureau, Merced County Department of Agriculture's 2017 Agricultural Crop Report.

The leading farm commodities in the County for 2017 are listed below.

Rank	Commodity	Value
1.	Milk (includes market and manufacturing)	$1,026,270,000
2.	Almonds (kernel basis)	596,075,000
3.	Chickens (includes fryers and other chickens)	374,934,000
4.	Cattle & Calves	235,487,000
5.	Sweet Potatoes	200,016,000
6.	Tomatoes (includes market and processing tomatoes)	118,435,000
7.	Hay (alfalfa)	115,056,000
8.	Silage (corn)	92,877,000
9.	Eggs, Chicken (market)	69,798,000
10.	All Nursery Products	57,648,000
11.	Miscellaneous Vegetables	55,748,000
12.	Grapes (wine)	49,254,000
13.	Cotton (Pima Cotton)	48,812,000
14.	Turkeys	44,411,000
15.	Pollination	33,832,000

Source: Merced County Farm Bureau, Merced County Department of Agriculture's 2017 Agricultural Crop Report.

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APPENDIX F

MERCED COUNTY INVESTMENT POOL

The following information concerning the Merced County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at http://www.mercedtaxcollector.org/; however, the information presented on such website is not incorporated herein by any reference

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Merced County

Treasury Investments

for the

Quarter Ending September 30, 2018

by D.S.

CONTENTS

Report of Quarter Ending September 30, 2018

MERCED COUNTY TREASURY

Karen D. Adams, CPA
Treasurer-Tax Collector

2222 "M" Street
Merced, CA 95340
(209) 385-7307
(209) 725-3905 (Fax)
www.mercedtaxcollector.org

PORTFOLIO REVIEW

for the Quarter Ending September 30, 2018

Portfolio Composition:

Book Value of Assets Held	$858,929,444
Market Value of Assets Held	$851,033,693
Assets Maturing Within 90 Days	$236,994,963
Percentage of Market to Book Value	99.08%
Weighted Average Maturity	459 days

Return on Assets:

Total Earnings Quarter Ended	$3,961,615
Total Earnings Fiscal YTD	$3,961,615
Rate of Return QTR	1.87%
Rate of Return Fiscal YTD	1.87%

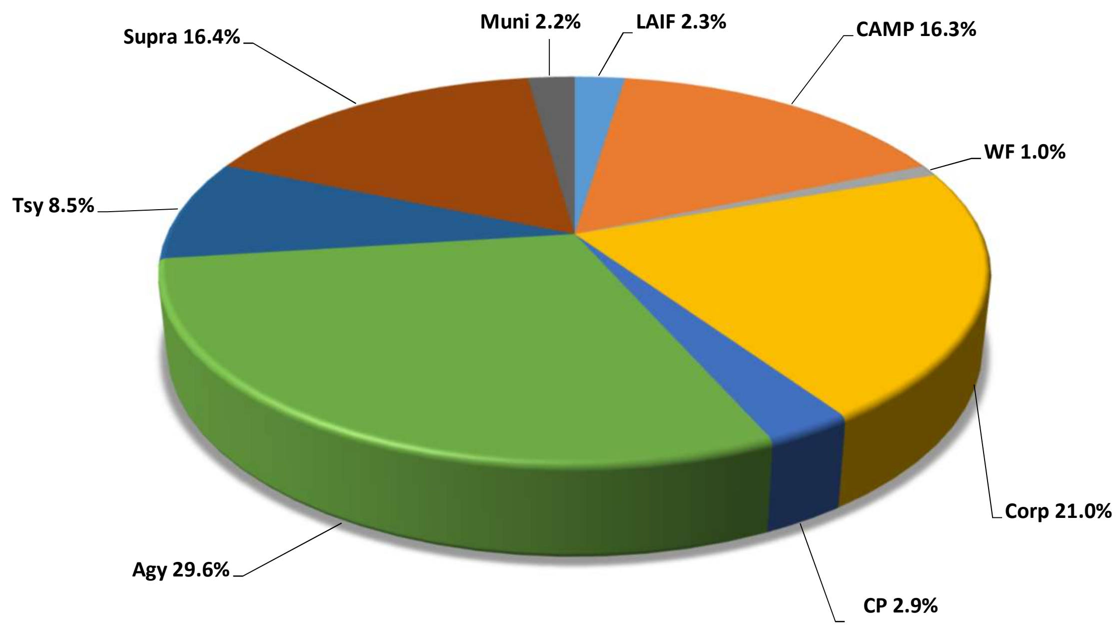
The entire portfolio is in Full Compliance with the Investment Policy and California Government Code.

MERCED COUNTY TREASURY

Investment Pool
Allocation by Security Types
September 30, 2018

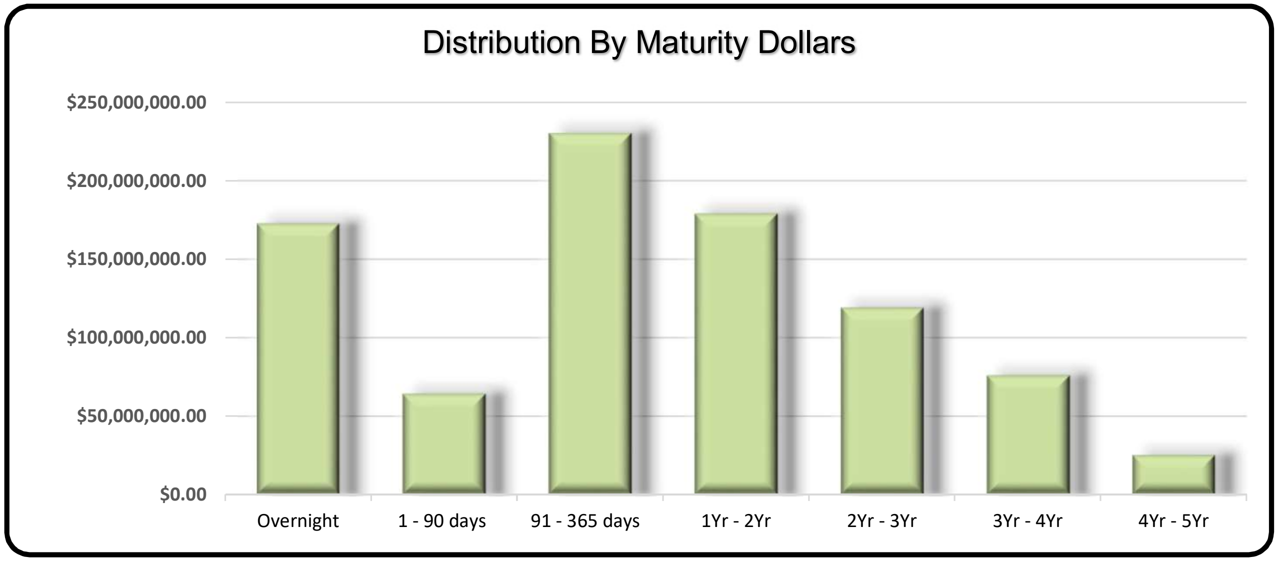
SECTOR	9/30/2018	6/30/2018	% Chng
LAIF	2.34%	2.20%	0.14%
CAMP	16.25%	16.91%	-0.66%
Wells Fargo Account	0.95%	0.40%	0.55%
Corporate Bonds	20.97%	18.96%	2.01%
Commercial Paper	2.89%	9.20%	-6.31%
Federal Agency	29.56%	27.07%	2.49%
U. S. Treasuries	8.46%	8.44%	0.02%
Supranational	16.39%	14.77%	1.62%
Municipal Securities	2.19%	2.05%	0.14%
Total	100.00%	100.00%	

SECTOR	9/30/2018	6/30/2018
LAIF	$20,109,721.47	$20,109,721.47
CAMP	139,527,971.50	155,497,568.68
Wells Fargo Account	8,172,270.08	3,694,648.46
Corporate Bonds	180,133,914.53	174,267,512.74
Commercial Paper	24,831,934.24	84,565,805.09
Federal Agency	253,892,880.43	248,793,744.24
U. S. Treasuries	72,640,834.84	77,583,660.57
Supranational	140,734,703.10	135,778,666.68
Municipal Securities	18,839,049.77	18,848,296.54
Total	$858,883,279.96	$919,139,624.47

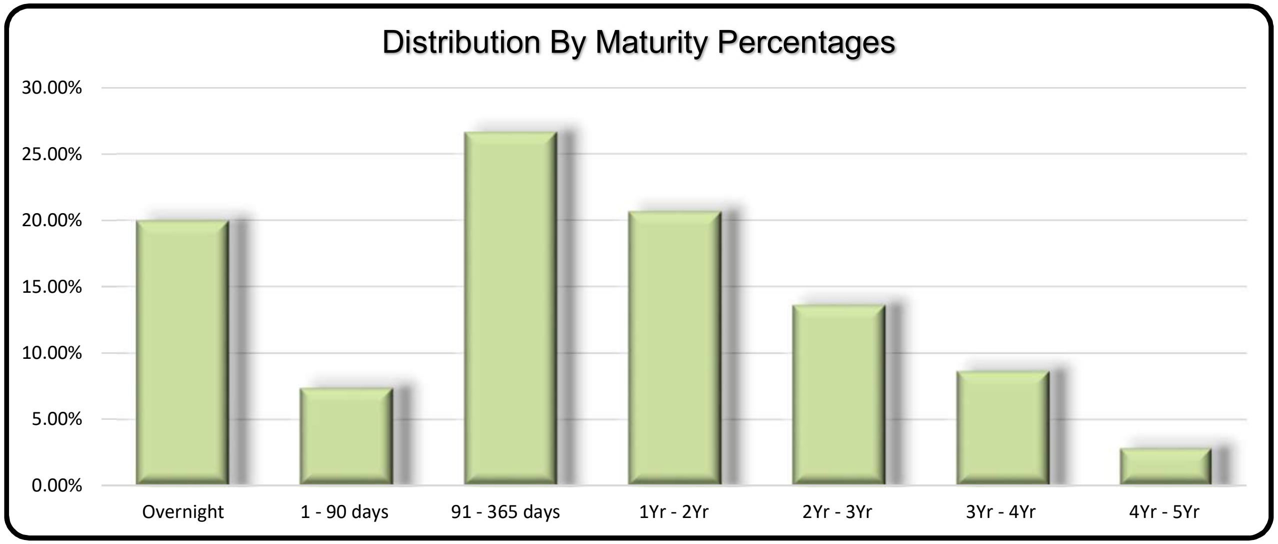


Investment Pool
Distribution by Maturity
September 30, 2018

Maturity	Par Amount
Overnight	$172,809,963.05
1 - 90 days	64,185,000.00
91 - 365 days	230,509,000.00
1Yr - 2Yr	178,995,000.00
2Yr - 3Yr	119,000,000.00
3Yr - 4Yr	75,650,000.00
4Yr - 5Yr	25,000,000.00
	$866,148,963.05



Maturity	% Amount
Overnight	20.00%
1 - 90 days	7.43%
91 - 365 days	26.64%
1Yr - 2Yr	20.68%
2Yr - 3Yr	13.67%
3Yr - 4Yr	8.71%
4Yr - 5Yr	2.86%
	100.00%



MERCED COUNTY TREASURY

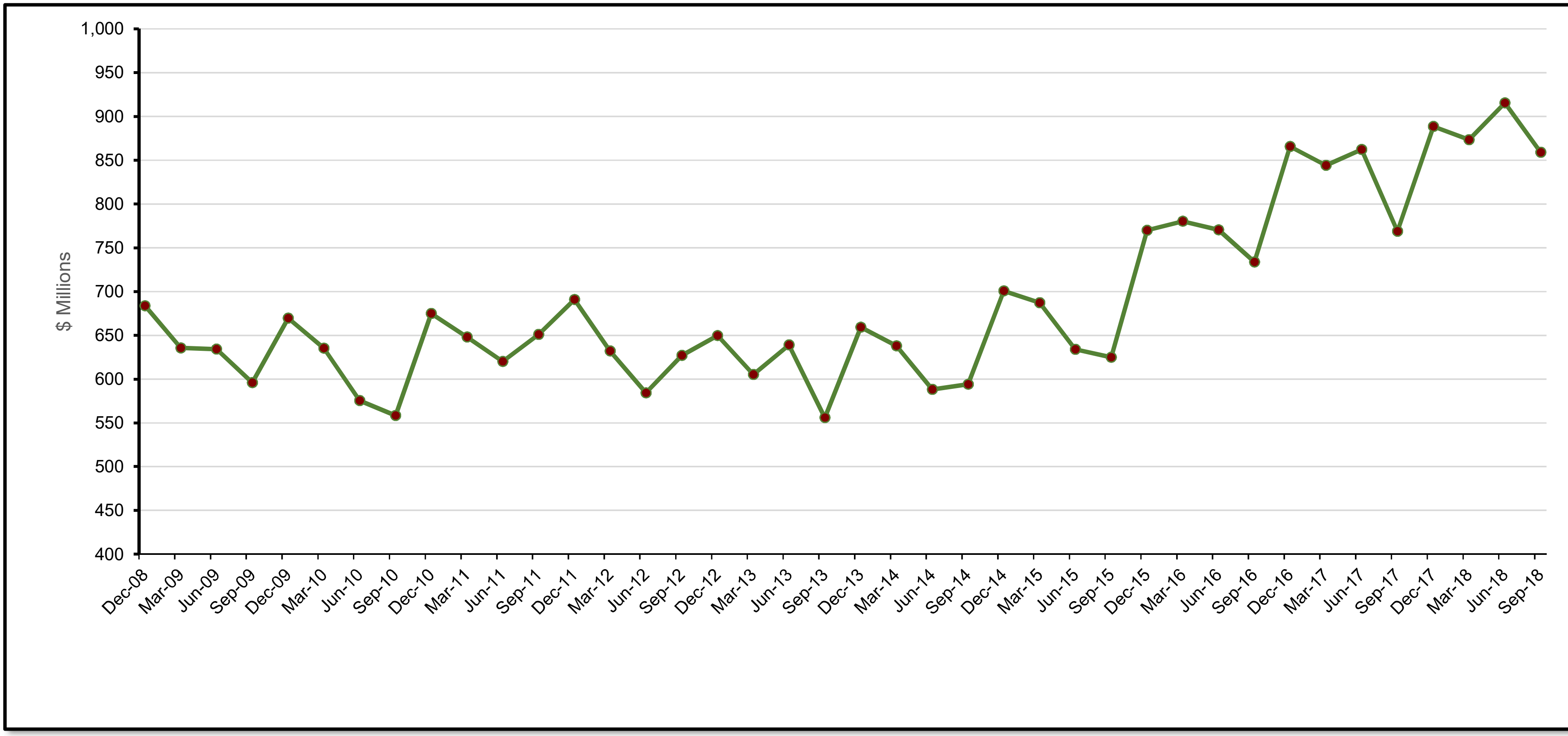
MERCED COUNTY TREASURY

Summary by Type
September 30, 2018

SECURITY TYPE	NUMBER OF INVESTMENTS	PAR VALUE	BOOK VALUE	Percent of Portfolio	*COMPLIANCE % ALLOWED	MEET Compliance
Treasury Coupon Securities	16	73,025,000.00	72,640,834.84	8.46%	30.00%	YES
Federal Agency Coupon Securities	48	254,545,000.00	253,892,880.43	29.56%	75.00%	YES
Supranationals - IBRD, IFC, IADB	27	141,220,000.00	140,734,703.10	16.39%	30.00%	YES
Medium Term Notes	35	180,784,000.00	180,133,914.53	20.97%	30.00%	YES
Municipal Bonds	6	18,765,000.00	18,839,049.77	2.19%	75.00%	YES
Commercial Paper	1	25,000,000.00	24,831,934.24	2.89%	30.00%	YES
LAIF	2	20,109,721.47	20,109,721.47	2.34%	25.00%	YES
Managed Pool Accounts	4	147,700,241.58	147,700,241.58	17.20%	25.00%	YES
	139	861,148,963.05	858,883,279.96	100.00%		

* Compliance percentage is calculated at the time the investment is purchased, as percentages change daily due to fluctuating amounts in overnight accounts.

Investment Pool
Historic Quarter End Book Values
FY 2009 to 2019



Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sept	$717	$596	$558	$651	$627	$556	$594	$625	$734	$769	$859
Dec	$684	$670	$675	$691	$650	$659	$701	$770	$866	$889	
Mar	$636	$635	$648	$632	$605	$638	$687	$780	$844	$873	
June	$634	$576	$620	$584	$639	$588	$634	$771	$862	$915	

Investment Pool
Portfolio Review of Five Quarters

Quarter Ending	**Sept. 30, 2018**	**June 30, 2018**	**Mar. 31, 2018**	**Dec. 31,2017**	**Sept. 30, 2017**
Portfolio Composition:					
Book Value of Assets Held	$ 858,929,444	$ 915,444,976	$ 873,309,300	$ 888,692,741	$ 768,827,203
Market Value of Assets Held	$ 851,033,693	$ 907,952,142	$ 866,300,240	$ 884,505,391	$ 767,575,959
Assets Maturing Within 90 Days	$ 236,994,963	$ 263,111,938	$ 212,945,547	$ 259,164,925	$ 153,282,294
Percentage of Market to Book	99.08%	99.18%	99.20%	99.53%	99.84%
Weighted Average Maturity (WAM)	459 days	438 days	480 days	479 days	538 days
Return on Assets:					
Total Earnings Quarter Ended	$ 3,961,615	$ 3,913,202	$ 3,320,178	$ 2,799,864	$ 2,716,365
Total Earnings Fiscal YTD	$ 3,961,615	$ 12,771,916	$ 8,846,802	$ 5,510,932	$ 2,716,365
Rate of Return QTR	1.87%	1.76%	1.60%	1.42%	1.39%
Rate of Return Fiscal YTD	1.87%	1.55%	1.47%	1.40%	1.39%
CAMP	2.12%	1.94%	1.51%	1.22%	1.13%
LAIF	2.16%	1.90%	1.51%	1.20%	1.07%

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Summary
September 30, 2018

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Managed Pool Accounts	159,637,692.97	159,637,692.97	159,637,692.97	18.77	1	1	2.093	2.122
Medium Term Notes	180,784,000.00	178,697,763.84	180,133,914.53	21.17	1,125	555	2.082	2.110
Commercial Paper Disc. -Amortizing	25,000,000.00	24,837,619.50	24,831,934.24	2.92	269	95	2.630	2.667
Federal Agency Coupon Securities	254,545,000.00	250,383,039.85	253,892,880.43	29.84	1,199	607	1.739	1.763
Treasury Coupon Securities	73,025,000.00	71,846,215.70	72,640,834.84	8.54	966	446	1.664	1.687
Supranational - IBRD, IFC, IADB	141,220,000.00	138,880,350.65	140,734,703.10	16.54	1,147	601	1.739	1.764
Municipal Bonds	18,765,000.00	18,532,576.00	18,839,049.77	2.21	1,282	883	2.370	2.403
Investments	**852,976,692.97**	**842,815,258.51**	**850,711,009.88**	**100.00%**	**905**	**459**	**1.912**	**1.938**
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	8,172,270.08	8,172,270.08	8,172,270.08		1	1	0.096	0.097
Accrued Interest at Purchase		46,164.05	46,164.05					
Subtotal		8,218,434.13	8,218,434.13					
Total Cash and Investments	**861,148,963.05**	**851,033,692.64**	**858,929,444.01**		**905**	**459**	**1.912**	**1.938**

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	1,296,060.87	3,971,249.57
Average Daily Balance	**816,410,139.71**	**838,734,433.95**
Effective Rate of Return	**1.93%**	**1.88%**

I hereby certify that this report includes all investments in the investment pool and is in accordance with the investment policy. I further certify that the investments meet the County's cash flow needs for the next six months.

KAREN D. ADAMS, CPA, TREASURER

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
CAMP	1001C	California Asset Mgt Program			139,527,971.50	139,527,971.50	139,527,971.50	2.140	AAA	2.140	1	
LAIF	1001A	Local Agency Investment Fund			10,093,474.01	10,093,474.01	10,093,474.01	2.000		2.000	1	
LAIF	1001B	Local Agency Investment Fund			10,016,247.46	10,016,247.46	10,016,247.46	2.000		2.000	1	
PREMIER FUND	1001G	Merrill Lynch Institutional Fu			0.00	0.00	0.00	0.180	AAA	0.180	1	
UBS FINANCIAL	1001H	UBS Finance			0.00	0.00	0.00	0.320	AAA	0.320	1	
		Subtotal and Average	**117,065,664.78**		**159,637,692.97**	**159,637,692.97**	**159,637,692.97**			**2.122**	**1**	
Medium Term Notes												
037833BQ2	2088	Apple Inc		02/25/2016	5,000,000.00	4,986,600.00	5,003,960.31	1.700	AAA	1.492	144	02/22/2019
037833AQ3	2129	Apple Inc		07/29/2016	5,000,000.00	4,987,300.00	5,029,079.99	2.100	AAA	1.108	217	05/06/2019
037833CB4	2173	Apple Inc		01/10/2017	5,000,000.00	4,935,400.00	4,980,803.90	1.100	AAA	1.570	305	08/02/2019
037833AK6	2260	Apple Inc		06/04/2018	5,000,000.00	4,807,100.00	4,855,951.95	2.400	AAA	3.081	1,675	05/03/2023
084664CG4	2181	Berkshire Hathaway Fin		01/30/2017	5,000,000.00	4,982,800.00	5,000,953.99	1.700	AA	1.657	165	03/15/2019
084664CG4	2249	Berkshire Hathaway Fin		03/05/2018	9,994,000.00	9,959,620.64	9,964,143.33	1.700	AA	2.367	165	03/15/2019
084670BR8	2254	Berkshire Hathaway Fin		04/02/2018	5,000,000.00	4,883,250.00	4,941,750.42	2.750	AA	3.033	1,626	03/15/2023
191216BF6	1923	Coca-Cola Company		01/24/2014	10,000,000.00	9,993,900.00	9,999,121.14	1.650	AA	1.760	31	11/01/2018
166764AR1	2198	Chevron Corp		05/15/2017	5,000,000.00	4,935,800.00	5,001,066.67	1.961	AA	1.945	519	03/03/2020
166764BH2	2236	Chevron Corp		01/10/2018	5,000,000.00	4,968,800.00	4,984,976.85	1.561	AA	2.050	227	05/16/2019
166764AT7	2270	Chevron Corp		09/13/2018	5,000,000.00	4,864,400.00	4,885,818.24	2.411	AA	3.120	1,249	03/03/2022
17275RAX0	2246	CISCO Systems Inc		02/09/2018	5,000,000.00	4,960,350.00	4,997,459.81	2.450	AA	2.480	623	06/15/2020
30231GAD4	1976	Exxon		10/24/2014	5,000,000.00	4,982,800.00	5,007,899.18	1.819	AA	1.460	165	03/15/2019
30231GAD4	2011	Exxon		04/06/2015	5,000,000.00	4,982,800.00	5,010,592.39	1.819	AA	1.336	165	03/15/2019
30231GAV4	2235	Exxon		01/10/2018	5,000,000.00	4,900,650.00	4,991,846.15	2.222	AA	2.292	882	03/01/2021
30231GAV4	2248	Exxon		02/15/2018	5,000,000.00	4,900,650.00	4,946,021.90	2.222	AA	2.690	882	03/01/2021
459200GM7	2157	International Business Machine		12/08/2016	5,000,000.00	5,008,750.00	5,011,470.76	7.625	AA	1.612	14	10/15/2018
44932HAG8	2264	International Business Machine		08/06/2018	5,000,000.00	4,943,650.00	4,955,171.30	2.650	AA	3.050	858	02/05/2021
478160BR4	2128	Johnson & Johnson		07/29/2016	11,500,000.00	11,438,015.00	11,505,404.51	1.125	AAA	1.010	151	03/01/2019
46625HHS2	2250	JP Morgan Chase		03/29/2018	5,000,000.00	5,105,400.00	5,123,010.08	4.400	A	2.980	660	07/22/2020
594918BN3	2139	Microsoft Corp		10/27/2016	5,000,000.00	4,935,900.00	4,995,603.55	1.100	AAA	1.205	311	08/08/2019
594918BP8	2175	Microsoft Corp		01/10/2017	5,000,000.00	4,799,150.00	4,925,530.04	1.550	AAA	2.100	1,042	08/08/2021
594918BV5	2183	Microsoft Corp		02/06/2017	5,000,000.00	4,939,350.00	5,000,134.72	1.850	AAA	1.847	493	02/06/2020
594918BH6	2253	Microsoft Corp		04/02/2018	5,000,000.00	4,898,000.00	4,956,758.33	2.650	AAA	2.877	1,494	11/03/2022
594918BA1	2258	Microsoft Corp		04/27/2018	5,000,000.00	4,881,800.00	4,887,993.59	2.375	AAA	3.085	1,230	02/12/2022
2205	2205	Mosquito Abatement Depot Note		07/03/2017	500,000.00	500,000.00	500,000.00	4.000		4.000	1,368	06/30/2022
69353RDD7	2251	PNC Bank NA		03/29/2018	5,000,000.00	4,980,600.00	4,982,531.57	2.250	A	2.724	274	07/02/2019
742718DY2	2269	Procter & Gamble		08/09/2018	5,000,000.00	4,863,700.00	4,885,491.45	2.300	AA	3.026	1,224	02/06/2022
89236TCU7	2086	Toyota Mtr Credit		02/19/2016	1,300,000.00	1,295,567.00	1,299,980.07	1.700	AA	1.226	141	02/19/2019
89236TDP7	2174	Toyota Mtr Credit		01/10/2017	5,000,000.00	4,892,300.00	5,018,705.72	2.600	AA	2.478	1,198	01/11/2022

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
89236TDZ5	2204	Toyota Mtr Credit		06/29/2017	5,000,000.00	4,771,350.00	5,000,000.00	2.000	AA	2.000	820	12/29/2020
91159HHE3	2064	US Bank		12/14/2015	5,000,000.00	4,996,950.00	5,002,139.30	1.950	AA	1.894	45	11/15/2018
90331HNJ8	2252	US Bank		03/29/2018	5,000,000.00	4,958,750.00	4,975,930.89	2.350	AA	2.728	479	01/23/2020
94974BFQ8	2037	Wells Fargo		10/06/2015	2,490,000.00	2,487,211.20	2,492,047.08	2.150	A	1.855	106	01/15/2019
94988J5D5	2126	Wells Fargo		07/21/2016	5,000,000.00	4,969,100.00	5,014,565.35	1.750	A	1.290	235	05/24/2019
		Subtotal and Average	**178,185,811.70**		**180,784,000.00**	**178,697,763.84**	**180,133,914.53**			**2.110**	**555**	
Commercial Paper Disc. -Amortizing												
2254EBN49	2255	Credit Suisse FB USA Inc		04/10/2018	25,000,000.00	24,837,619.50	24,831,934.24	2.550	A-1	2.667	95	01/04/2019
		Subtotal and Average	**25,806,254.69**		**25,000,000.00**	**24,837,619.50**	**24,831,934.24**			**2.667**	**95**	
Federal Agency Coupon Securities												
3133EFRH2	2054	Federal Farm Credit Bank		11/30/2015	5,000,000.00	4,992,850.00	5,000,000.00	1.340	AAA	1.340	60	11/30/2018
3133EFRH2	2061	Federal Farm Credit Bank		12/10/2015	5,000,000.00	4,992,850.00	5,000,000.00	1.340	AAA	1.339	60	11/30/2018
3133EFGN1	2068	Federal Farm Credit Bank		12/21/2015	5,000,000.00	4,983,700.00	4,998,248.18	1.200	AAA	1.335	98	01/07/2019
3133EGFN0	2123	Federal Farm Credit Bank		06/15/2016	5,000,000.00	4,882,950.00	5,000,000.00	1.400	AAA	1.400	623	06/15/2020
3133EGD69	2148	Federal Farm Credit Bank		11/16/2016	5,000,000.00	4,884,650.00	4,989,640.29	1.320	AAA	1.453	584	05/07/2020
3133EGU52	2161	Federal Farm Credit Bank		12/13/2016	5,000,000.00	4,947,750.00	5,000,000.00	1.490	AAA	1.490	347	09/13/2019
3133EGU60	2162	Federal Farm Credit Bank		12/14/2016	5,000,000.00	4,903,900.00	5,000,000.00	1.820	AAA	1.820	714	09/14/2020
3133EGU86	2171	Federal Farm Credit Bank		12/19/2016	5,000,000.00	4,929,300.00	4,998,377.78	1.500	AAA	1.527	444	12/19/2019
3133EHSB0	2212	Federal Farm Credit Bank		08/09/2017	5,000,000.00	4,808,650.00	5,000,000.00	2.100	AAA	2.100	1,393	07/25/2022
3133EGJX4	2223	Federal Farm Credit Bank		12/01/2017	5,000,000.00	4,944,300.00	4,973,745.64	1.080	AAA	1.782	277	07/05/2019
3133EGLC7	2233	Federal Farm Credit Bank		12/29/2017	5,000,000.00	4,943,750.00	4,970,426.40	1.080	AAA	1.852	284	07/12/2019
3133EJWK1	2265	Federal Farm Credit Bank		08/08/2018	5,000,000.00	4,971,800.00	5,000,000.00	3.120	AAA	3.120	1,407	08/08/2022
3133EJVG1	2266	Federal Farm Credit Bank		08/07/2018	5,000,000.00	4,940,950.00	4,992,726.51	3.220	AAA	3.253	1,758	07/25/2023
3133EJWQ8	2268	Federal Farm Credit Bank		08/14/2018	5,000,000.00	4,966,200.00	5,000,000.00	3.240	AAA	3.240	1,778	08/14/2023
3130A7R72	2102	Federal Home Loan Bank		04/29/2016	5,000,000.00	4,965,750.00	5,000,000.00	1.250	AAA	1.250	210	04/29/2019
3130A8FB4	2122	Federal Home Loan Bank		06/13/2016	5,000,000.00	4,918,400.00	5,000,000.00	1.350	AAA	1.350	438	12/13/2019
3130A8QD8	2142	Federal Home Loan Bank		11/16/2016	4,545,000.00	4,419,239.85	4,526,984.23	1.230	AAA	1.459	652	07/14/2020
3130AAEX2	2164	Federal Home Loan Bank		12/28/2016	5,000,000.00	4,839,650.00	5,000,000.00	2.150	AAA	2.150	1,184	12/28/2021
3130AAKW7	2176	Federal Home Loan Bank		01/10/2017	5,000,000.00	4,850,200.00	4,996,561.25	1.950	AAA	1.972	1,197	01/10/2022
3130A8QS5	2218	Federal Home Loan Bank		11/30/2017	5,000,000.00	4,767,750.00	4,892,315.95	1.125	AAA	1.929	1,017	07/14/2021
3130ACN83	2232	Federal Home Loan Bank		12/29/2017	5,000,000.00	4,912,050.00	4,975,916.82	1.700	AAA	2.005	592	05/15/2020
3134G8WZ8	2099	Federal Home Loan Mtg Corp		04/26/2016	5,000,000.00	4,996,250.00	5,000,000.00	1.125	AAA	1.125	25	10/26/2018
3134G8YU7	2100	Federal Home Loan Mtg Corp		04/26/2016	5,000,000.00	4,995,800.00	5,000,000.00	1.050	AAA	1.050	25	10/26/2018
3134GAZB3	2145	Federal Home Loan Mtg Corp		11/30/2016	5,000,000.00	4,916,800.00	5,000,000.00	1.500	AAA	2.132	1,150	11/24/2021
3134GAYV0	2147	Federal Home Loan Mtg Corp		12/30/2016	5,000,000.00	4,835,900.00	5,000,000.00	2.000	AAA	2.000	1,186	12/30/2021
3134GAYX6	2152	Federal Home Loan Mtg Corp		11/30/2016	5,000,000.00	4,813,650.00	5,000,000.00	1.875	AAA	1.875	1,152	11/26/2021

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3134GAK78	2177	Federal Home Loan Mtg Corp		01/25/2017	5,000,000.00	4,984,550.00	5,000,000.00	1.350	AAA	1.350	116	01/25/2019
3134GBEB4	2185	Federal Home Loan Mtg Corp		04/06/2017	5,000,000.00	4,922,550.00	5,000,000.00	1.700	AAA	1.700	543	03/27/2020
3134GBEU2	2186	Federal Home Loan Mtg Corp		04/07/2017	5,000,000.00	4,989,600.00	5,000,000.00	2.000	AAA	1.718	543	03/27/2020
3134GBTJ1	2220	Federal Home Loan Mtg Corp		11/30/2017	5,000,000.00	4,865,950.00	4,970,309.28	1.830	AAA	2.062	974	06/01/2021
3134GBR95	2226	Federal Home Loan Mtg Corp		12/12/2017	5,000,000.00	4,942,900.00	4,988,094.76	1.625	AAA	1.850	394	10/30/2019
3134G9NB9	2229	Federal Home Loan Mtg Corp		12/29/2017	5,000,000.00	4,958,600.00	4,982,698.02	1.230	AAA	1.773	235	05/24/2019
3134GBGG1	2230	Federal Home Loan Mtg Corp		12/29/2017	5,000,000.00	4,955,800.00	4,987,643.30	1.500	AAA	1.807	298	07/26/2019
3134GSSU0	2267	Federal Home Loan Mtg Corp		08/07/2018	5,000,000.00	4,972,950.00	4,994,064.54	2.850	AAA	2.894	1,033	07/30/2021
3135G0G72	2053	Federal National Mortgage Assn		11/27/2015	10,000,000.00	9,977,400.00	9,996,233.55	1.125	AAA	1.315	74	12/14/2018
3135G0N33	2131	Federal National Mortgage Assn		08/12/2016	5,000,000.00	4,929,850.00	4,996,779.02	0.875	AAA	0.953	305	08/02/2019
3136G4HF3	2144	Federal National Mortgage Assn		11/29/2016	5,000,000.00	4,923,350.00	5,000,000.00	1.350	AAA	1.350	424	11/29/2019
3136G4HH9	2146	Federal National Mortgage Assn		11/30/2016	5,000,000.00	4,915,200.00	5,000,000.00	1.500	AAA	1.500	513	02/26/2020
3135G0Q89	2149	Federal National Mortgage Assn		11/17/2016	5,000,000.00	4,776,750.00	4,948,137.33	1.375	AAA	1.735	1,102	10/07/2021
3135G0R39	2150	Federal National Mortgage Assn		11/17/2016	5,000,000.00	4,912,450.00	4,983,350.19	1.000	AAA	1.320	388	10/24/2019
3135G0K69	2163	Federal National Mortgage Assn		12/09/2016	10,000,000.00	9,593,700.00	9,860,781.03	1.250	AAA	1.810	948	05/06/2021
3135G0S46	2191	Federal National Mortgage Assn		04/11/2017	5,000,000.00	4,928,900.00	4,998,675.15	1.650	AAA	1.670	483	01/27/2020
3135G0T60	2222	Federal National Mortgage Assn		12/01/2017	5,000,000.00	4,886,200.00	4,966,191.03	1.500	AAA	1.880	668	07/30/2020
3135G0J53	2224	Federal National Mortgage Assn		12/11/2017	5,000,000.00	4,973,650.00	4,985,300.00	1.000	AAA	1.740	148	02/26/2019
3136G04T5	2234	Federal National Mortgage Assn		12/29/2017	5,000,000.00	4,899,100.00	4,962,258.42	1.500	AAA	1.979	591	05/14/2020
3132X0SA0	2194	Farmer Mac		04/19/2017	5,000,000.00	4,923,150.00	4,999,329.50	1.640	AAA	1.649	564	04/17/2020
742651DQ2	2059	Private Export Funding		12/11/2015	10,000,000.00	9,883,600.00	9,954,773.56	1.450	AAA	1.990	318	08/15/2019
742651DQ2	2151	Private Export Funding		11/21/2016	5,000,000.00	4,941,800.00	5,003,318.70	1.450	AAA	1.372	318	08/15/2019
		Subtotal and Average	**253,874,530.30**		**254,545,000.00**	**250,383,039.85**	**253,892,880.43**			**1.763**	**607**	
Treasury Coupon Securities												
912828A34	2043	US Treasury Notes		11/09/2015	3,650,000.00	3,644,525.00	3,650,398.25	1.250	AAA	1.182	60	11/30/2018
912828A34	2047	US Treasury Notes		11/16/2015	570,000.00	569,145.00	570,066.20	1.250	AAA	1.178	60	11/30/2018
912828A75	2056	US Treasury Notes		12/04/2015	4,940,000.00	4,931,009.20	4,943,393.19	1.500	AAA	1.218	91	12/31/2018
912828C65	2090	US Treasury Notes		03/04/2016	3,900,000.00	3,884,634.00	3,910,911.72	1.625	AAA	1.050	181	03/31/2019
912828A34	2112	US Treasury Notes		05/06/2016	4,965,000.00	4,957,552.50	4,968,349.59	1.250	AAA	0.834	60	11/30/2018
912828M98	2170	US Treasury Notes		12/14/2016	5,000,000.00	4,872,450.00	4,988,255.61	1.625	AAA	1.738	791	11/30/2020
912828L99	2188	US Treasury Notes		04/10/2017	5,000,000.00	4,852,950.00	4,971,645.43	1.375	AAA	1.657	761	10/31/2020
912828S76	2189	US Treasury Notes		04/11/2017	5,000,000.00	4,762,300.00	4,907,502.39	1.125	AAA	1.807	1,034	07/31/2021
912828P87	2190	US Treasury Notes		04/11/2017	5,000,000.00	4,798,650.00	4,930,272.14	1.125	AAA	1.725	881	02/28/2021
912828U99	2225	US Treasury Notes		12/12/2017	5,000,000.00	4,987,850.00	4,994,677.23	1.250	AAA	1.683	91	12/31/2018
912828WS5	2231	US Treasury Notes		12/29/2017	5,000,000.00	4,966,400.00	4,993,795.62	1.625	AAA	1.794	272	06/30/2019
912828XM7	2238	US Treasury Notes		01/25/2018	5,000,000.00	4,894,150.00	4,953,598.60	1.625	AAA	2.148	669	07/31/2020
912828N89	2239	US Treasury Notes		01/25/2018	5,000,000.00	4,833,400.00	4,905,063.11	1.375	AAA	2.220	853	01/31/2021

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Treasury Coupon Securities												
912828V56	2243	US Treasury Notes		02/02/2018	5,000,000.00	4,980,250.00	4,987,430.30	1.125	AAA	1.887	122	01/31/2019
912828XS4	2244	US Treasury Notes		02/02/2018	5,000,000.00	4,958,600.00	4,975,143.96	1.250	AAA	2.013	242	05/31/2019
9128283S7	2245	US Treasury Notes		02/02/2018	5,000,000.00	4,952,350.00	4,990,331.50	2.000	AAA	2.149	487	01/31/2020
		Subtotal and Average	**77,465,217.81**		**73,025,000.00**	**71,846,215.70**	**72,640,834.84**			**1.687**	**446**	
Supranational - IBRD, IFC, IADB												
458182DX7	2096	Inter-American Development Bk		04/12/2016	1,385,000.00	1,371,316.20	1,384,169.75	1.000	AAA	1.099	224	05/13/2019
4581X0CR7	2178	Inter-American Development Bk		01/12/2017	5,000,000.00	4,924,500.00	4,981,676.64	1.250	AAA	1.612	379	10/15/2019
4581X0CW6	2179	Inter-American Development Bk		01/18/2017	5,000,000.00	4,857,550.00	4,995,944.42	2.125	AAA	2.151	1,205	01/18/2022
4581X0CP1	2184	Inter-American Development Bk		03/13/2017	5,000,000.00	4,915,900.00	5,002,280.69	1.875	AAA	1.847	624	06/16/2020
4581X0CX4	2193	Inter-American Development Bk		04/13/2017	5,000,000.00	4,902,150.00	4,997,904.42	1.625	AAA	1.652	589	05/12/2020
458182DX7	2221	Inter-American Development Bk		12/04/2017	5,000,000.00	4,950,600.00	4,976,046.24	1.000	AAA	1.790	224	05/13/2019
4581X0CS5	2228	Inter-American Development Bk		12/13/2017	5,000,000.00	4,871,700.00	4,976,881.74	1.875	AAA	2.070	896	03/15/2021
4581X0CX4	2262	Inter-American Development Bk		08/07/2018	5,000,000.00	4,902,150.00	4,915,777.87	1.625	AAA	2.700	589	05/12/2020
45905UVC5	2085	Intl Bnk for Recons & Dev		02/26/2016	5,000,000.00	4,978,900.00	5,000,000.00	1.350	AAA	1.350	148	02/26/2019
45905UVC5	2093	Intl Bnk for Recons & Dev		03/24/2016	5,000,000.00	4,978,900.00	5,000,000.00	1.350	AAA	1.350	148	02/26/2019
459058FC2	2098	Intl Bnk for Recons & Dev		04/26/2016	5,000,000.00	4,962,700.00	5,000,000.00	1.250	AAA	1.250	207	04/26/2019
459058FD0	2101	Intl Bnk for Recons & Dev		04/28/2016	10,000,000.00	10,000,000.00	10,000,000.00	1.500	AAA	1.400	940	04/28/2021
459058FB4	2107	Intl Bnk for Recons & Dev		04/29/2016	5,000,000.00	4,965,350.00	5,000,000.00	1.300	AAA	1.300	207	04/26/2019
459058FS7	2143	Intl Bnk for Recons & Dev		11/18/2016	5,000,000.00	4,904,600.00	4,982,599.82	1.126	AAA	1.435	422	11/27/2019
45905UB37	2165	Intl Bnk for Recons & Dev		12/16/2016	5,000,000.00	4,833,150.00	4,995,188.99	2.000	AAA	2.032	1,171	12/15/2021
459058FQ1	2180	Intl Bnk for Recons & Dev		01/23/2017	10,000,000.00	9,844,300.00	9,975,868.67	1.200	AAA	1.447	364	09/30/2019
459058FA6	2187	Intl Bnk for Recons & Dev		04/11/2017	5,000,000.00	4,893,350.00	4,987,067.03	1.376	AAA	1.553	546	03/30/2020
459058FM0	2209	Intl Bnk for Recons & Dev		07/12/2017	5,000,000.00	4,840,300.00	4,946,081.50	1.126	AAA	1.724	679	08/10/2020
45905UP73	2216	Intl Bnk for Recons & Dev		10/16/2017	5,000,000.00	4,895,000.00	5,000,000.00	1.950	AAA	1.950	746	10/16/2020
459058FH1	2219	Intl Bnk for Recons & Dev		11/30/2017	5,000,000.00	4,800,650.00	4,913,819.62	1.376	AAA	2.054	966	05/24/2021
459058DT7	2261	Intl Bnk for Recons & Dev		06/06/2018	5,000,000.00	4,905,650.00	4,936,167.67	2.250	AAA	2.740	997	06/24/2021
459058GH0	2263	Intl Bnk for Recons & Dev		08/06/2018	5,000,000.00	4,969,150.00	4,985,251.55	2.750	AAA	2.860	1,026	07/23/2021
45950VHE9	2172	Intl Fin Corp		12/16/2016	5,000,000.00	4,991,300.00	4,999,748.36	1.250	AAA	1.283	57	11/27/2018
45950KCG3	2192	Intl Fin Corp		04/13/2017	5,000,000.00	4,888,350.00	4,994,336.32	1.625	AAA	1.690	654	07/16/2020
45950KCL2	2203	Intl Fin Corp		06/07/2017	5,000,000.00	4,917,450.00	5,014,898.32	1.750	AAA	1.546	546	03/30/2020
45950KCG3	2210	Intl Fin Corp		07/13/2017	5,000,000.00	4,888,350.00	4,994,967.45	1.625	AAA	1.684	654	07/16/2020
45950KCG3	2242	Intl Fin Corp		02/02/2018	4,835,000.00	4,727,034.45	4,778,026.03	1.625	AAA	2.305	654	07/16/2020
		Subtotal and Average	**140,723,036.77**		**141,220,000.00**	**138,880,350.65**	**140,734,703.10**			**1.764**	**601**	
Municipal Bonds												
91412GTB1	2159	University of California		12/09/2016	1,275,000.00	1,278,034.50	1,297,336.78	3.016	AA	1.895	592	05/15/2020
13063DAD0	2195	State of California		04/27/2017	2,000,000.00	1,951,340.00	2,000,000.00	2.367	AA	2.367	1,278	04/01/2022

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Municipal Bonds												
13063DAC2	2196	State of California		04/27/2017	4,000,000.00	3,970,000.00	4,038,826.03	2.625	AA	2.218	913	04/01/2021
13063DAD0	2197	State of California		04/27/2017	3,150,000.00	3,073,360.50	3,161,902.53	2.367	AA	2.252	1,278	04/01/2022
13034PZE0	2214	State of California		09/27/2017	3,340,000.00	3,293,741.00	3,352,859.79	2.150	AA	1.853	488	02/01/2020
749845UL5	2259	Racine CO BANS		05/31/2018	5,000,000.00	4,966,100.00	4,988,124.64	3.050	AA	3.165	792	12/01/2020
		Subtotal and Average	**18,840,527.36**		**18,765,000.00**	**18,532,576.00**	**18,839,049.77**			**2.403**	**883**	
		Total and Average	**816,410,139.71**		**852,976,692.97**	**842,815,258.51**	**850,711,009.88**			**1.938**	**459**	

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Cash
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
WF FUND SWEEP	1001W	Wells Fargo Fund Sweep			8,172,270.08	8,172,270.08	8,172,270.08	0.097		0.097	1
		Average Balance	**0.00**	Accrued Interest at Purchase		46,164.05	46,164.05				**1**
				Subtotal		8,218,434.13	8,218,434.13				
		Total Cash and Investments	**816,410,139.71**		**861,148,963.05**	**851,033,692.64**	**858,929,444.01**			**1.938**	**459**

Merced County

MERCED COUNTY TREASURY
Purchases Report
Sorted by Fund - Fund
July 1, 2018 - September 30, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment	Principal Purchase	Accrued at Purchase	Rate at Purchas	Maturity Date	YTM	Ending Book Value
Interest Apportionment Fund													
44932HAG8	2264	2070	MTN	IBM	5,000,000.00	08/06/2018	02/06 - 08/06	4,952,250.00		2.650	02/05/2021	3.050	4,955,171.30
459058GH0	2263	2070	MC1	IBRD	5,000,000.00	08/06/2018	01/23 - 07/23	4,984,450.00	4,202.25	2.750	07/23/2021	2.860	4,985,251.55
3133EJVG1	2266	2070	FAC	FFCB	5,000,000.00	08/07/2018	01/25 - 07/25	4,992,500.00	5,366.67	3.220	07/25/2023	3.253	4,992,726.51
3134GSSU0	2267	2070	FAC	FHLMC	5,000,000.00	08/07/2018	01/30 - 07/30	4,993,750.00	2,770.83	2.850	07/30/2021	2.894	4,994,064.54
4581X0CX4	2262	2070	MC1	IADB	5,000,000.00	08/07/2018	11/12 - 05/12	4,907,950.00	19,184.03	1.625	05/12/2020	2.700	4,915,777.87
3133EJWK1	2265	2070	FAC	FFCB	5,000,000.00	08/08/2018	02/08 - 08/08	5,000,000.00		3.120	08/08/2022	3.120	5,000,000.00
742718DY2	2269	2070	MTN	PR&G	5,000,000.00	08/09/2018	02/06 - 08/06	4,880,550.00	958.33	2.300	02/06/2022	3.026	4,885,491.45
3133EJWQ8	2268	2070	FAC	FFCB	5,000,000.00	08/14/2018	02/14 - 08/14	5,000,000.00		3.240	08/14/2023	3.240	5,000,000.00
166764AT7	2270	2070	MTN	CHEV	5,000,000.00	09/13/2018	03/03 - 09/03	4,884,150.00	3,348.61	2.411	03/03/2022	3.120	4,885,818.24
				Subtotal	**45,000,000.00**			**44,595,600.00**	**35,830.72**				**44,614,301.46**
				Total Purchases	**45,000,000.00**			**44,595,600.00**	**35,830.72**				**44,614,301.46**

MERCED COUNTY TREASURY
Maturity Report
Sorted by Maturity Date
Amounts due during July 1, 2018 - September 30, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
89233HG65	2217	2070	ACP	TOYOTA	10,005,000.00	07/06/2018	11/29/2017	1.520	10,005,000.00	0.00	10,005,000.00	0.00
89236TCP8	2083	2070	MTN	TOYOTA	6,955,000.00	07/13/2018	02/05/2016	1.550	6,955,000.00	53,901.25	7,008,901.25	53,901.25
742651DS8	1985	2070	FAC	PEFCO	5,000,000.00	07/15/2018	01/02/2015	1.875	5,000,000.00	46,875.00	5,046,875.00	46,875.00
22533UGX5	2256	2070	ACP	CR AGR	25,000,000.00	07/31/2018	04/12/2018	2.260	25,000,000.00	0.00	25,000,000.00	0.00
63873KGX9	2240	2070	ACP	NATIXI	10,000,000.00	07/31/2018	01/30/2018	1.760	10,000,000.00	0.00	10,000,000.00	0.00
24422ETA7	2034	3030	MTN	JDEERE	1,850,000.00	08/10/2018	09/11/2015	1.750	1,850,000.00	16,187.50	1,866,187.50	16,187.50
63873KHA8	2257	2070	ACP	NATIXI	10,000,000.00	08/10/2018	04/12/2018	2.350	10,000,000.00	0.00	10,000,000.00	0.00
3133EGBG9	2120	2070	FAC	FFCB	5,000,000.00	08/23/2018	06/09/2016	1.000	5,000,000.00	25,000.00	5,025,000.00	25,000.00
4581X0BR8	2211	2070	MC1	IADB	5,000,000.00	08/24/2018	07/13/2017	1.750	5,000,000.00	43,750.00	5,043,750.00	43,750.00
46640QJ77	2227	2070	ACP	JP MOR	5,000,000.00	09/07/2018	12/12/2017		5,000,000.00	0.00	5,000,000.00	0.00
912828T42	2206	2070	TRC	USTN	5,000,000.00	09/30/2018	07/10/2017	0.750	5,000,000.00	18,750.00	5,018,750.00	18,750.00
			Total Maturities		**88,810,000.00**				**88,810,000.00**	**204,463.75**	**89,014,463.75**	**204,463.75**

Merced County

MERCED COUNTY TREASURY

MERCED COUNTY TREASURY
Sales/Call Report
Sorted by Maturity Date - Fund
July 1, 2018 - September 30, 2018

CUSIP	Investment #	Fund	Issuer / Sec. Type	Purchase Date	Redem. Date / Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
01/30/2020												
3130ADFU1	2237	2070	FHLB FAC	01/30/201	07/30/201 01/30/202	5,000,000.00	2.000 V	5,000,000.00	5,000,000.00	25,000.00	5,025,000.00 Call	25,000.00
					Subtotal	**5,000,000.00**		**5,000,000.00**	**5,000,000.00**	**25,000.00**	**5,025,000.00**	**25,000.00**
					Total Sales	**5,000,000.00**		**5,000,000.00**	**5,000,000.00**	**25,000.00**	**5,025,000.00**	**25,000.00**

V - Security with variable rate change.

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/29/18	2.09	2.00	193
09/30/18	2.09	2.00	193
10/01/18	2.11	2.11	205
10/02/18	2.11	2.11	205
10/03/18	2.12	2.11	206
10/04/18	2.12	2.12	206
10/05/18	2.12	2.12	205
10/06/18	2.12	2.12	205
10/07/18	2.12	2.12	205
10/08/18	2.12	2.12	202
10/09/18	2.12	2.12	202
10/10/18	2.13	2.12	202
10/11/18	2.14	2.12	203
10/12/18	2.14	2.12	202
10/13/18	2.14	2.12	202
10/14/18	2.14	2.13	202
10/15/18	2.14	2.13	200
10/16/18	2.15	2.13	198
10/17/18	2.15	2.13	198
10/18/18	2.16	2.13	197
10/19/18	2.16	2.13	197
10/20/18	2.16	2.13	197
10/21/18	2.16	2.13	197
10/22/18	2.16	2.14	199
10/23/18	2.16	2.14	200
10/24/18	2.16	2.14	202
10/25/18	2.16	2.14	200
10/26/18	2.16	2.14	201
10/27/18	2.16	2.14	201
10/28/18	2.16	2.14	201
10/29/18	2.17	2.14	203

*Daily yield does not reflect capital gains or losses

View Prior Month Daily Rates

LAIF Performance Report

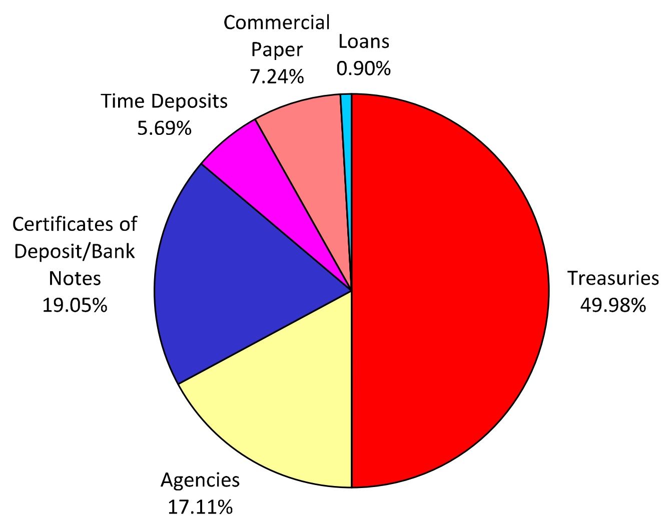
Quarter Ending 09/30/18

Apportionment Rate:	2.16%
Earnings Ratio:	0.00005909460836489
Fair Value Factor:	0.997832404
Daily:	2.09%
Quarter to Date:	2.00%
Average Life:	193

PMIA Average Monthly Effective Yields

Sept 2018	**2.063**
Aug 2018	1.998
July 2018	1.944

Pooled Money Investment Account Portfolio Composition 09/30/18 $88.3 billion



Percentages may not total 100%, due to rounding.

Based on data available as of 10/31/2018

MINUTES
TREASURY OVERSIGHT COMMITTEE MEETING

July 25, 2018
For the Quarter Ending 06/30/2018

Attendees
Lisa Cardella-Presto, C.P.A. – Auditor-Controller
Andre Urquidez –College District Designee
Janet Riley – County Superintendent of Schools Alternate
David W. Ness – Member of the Public
Pat Fogel – Accountant III

Absent
Maureen O'Rourke – Member of the Public
Steve Tietjen - County Superintendent of Schools
Rhiannon Jones – Special District Designee
Jerry O'Banion – Board of Supervisor
Cecilia Belmontes – Member of the Public

Meeting Called to Order

The meeting was called to order at 2:35pm.

Approval of Minutes

Andre Urquidez made a motion to accept the minutes from April 18, 2018. David Ness seconded the motion. The motion was approved.

Public Comments

None

Portfolio Review

The Quarterly Investment Portfolio Composition figures for the Pooled Investments for the Quarter ending June 30, 2018 were: The Book Value of Assets held was $915,444,976. The Market Value of Assets held was $907,952,142. The category showing Assets Maturing within

90 days has a quarterly total of $263,111,938. The percentage of Market to Book Value was 99.18%. The Weighted Average Maturity (WAM) was 438 days.

The Return of Assets figures were: Total Earnings for the Quarter were $3,913,202 and the Total Earnings Fiscal year-to-date were $12,771,916. The rate of return for the quarter was 1.76% and rate for the fiscal year of 1.55%. Karen reviewed the new graphs added to the report along with other changes made.

The meeting adjourned at 3:00pm.

Submitted by,

Pat Fogel